

**MID-TERM EVALUATION OF
THE ZAMBIA AGRIBUSINESS AND MANAGEMENT SUPPORT (ZAMS) PROJECT
(611-0214)
(USAID/ZAMBIA)**

**Delivery Order No. 10
under
IQC PDC-0085-I-00-9087-00**

June, 1992

TvT Associates

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by

Joseph F. Burke

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ACRONYMS

AID	-	Agency for International Development
BoZ	-	Bank of Zambia
CFU	-	Commercial Farmers Union
COMET	-	Copper Mining Enterprises
COP	-	Chief of Party
CUSA	-	Cooperative Union Savings Association
DBZ	-	Development Bank of Zambia
HSP	-	Hammermill Sustainability Programme
IC	-	International Contractor
IFAD	-	International Fund for Agricultural Development
K	-	Kwacha
LCA	-	Local Currency Agreement
LOP	-	Life of Project
M&E	-	Monitoring and Evaluation
MAFF	-	Ministry of Agriculture, Food and Fisheries
MCTI	-	Ministry of Commerce, Trade and Industry
MMD	-	Movement for Multi-Party Democracy
MOF	-	Ministry of Finance
MPND	-	Ministry of Planning and National Development
NCDP	-	National Commission for Development Planning
NGO	-	Non Government Organization
NHP	-	National Hammermill Programme
OGL	-	Open General License
OILS	-	Oilseed Industry Liaison Service
OPG	-	Operational Program Grant
PACD	-	Project Assistance Completion Date
PEC	-	Project Executive Committee
PIC	-	Project Implementation Committee
PID	-	Project Implementation Document
PIO	-	Project Implementation Officer
PP	-	Project Paper
SIDO	-	Small Industries Development Organization
SOW	-	Statement of Work
SPMC	-	Southern Province Marketing Cooperative
SSE	-	Small Scale Enterprises
SSIAZ	-	Small-Scale Industry Association of Zambia
UNDP	-	United Nations Development Program
UNIP	-	United National Independence Party
USAID	-	United States Agency for International Development
VIS	-	Village Industry Services
VITA	-	Volunteers in Technical Assistance
ZAMS	-	Zambia Agribusiness and Management Support
ZATPID	-	Zambia Agricultural Training, Planning and Institutional Development Project
ZCF	-	Zambia Cooperative Federation

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EXECUTIVE SUMMARY

I. BACKGROUND

The Zambia Agribusiness and Management Support Project (ZAMS), project number 611-0214, was authorized in July of 1988 with a Project Assistance Completion Date (PACD) of September 30, 1993, and a life of project (LOP) funding of \$33 million. The Project was conceived to increase agricultural production, rural incomes, and nutritional status through improvements in the agricultural marketing system. The counterpart ministry for ZAMS is the Ministry of Commerce, Trade and Industry (MCTI). The Ronco Consulting Corporation (RONCO) was contracted as the primary implementor in September of 1989. In the July 1988 to September 1989 interim the USAID/Zambia Mission directly managed a \$2 million foreign exchange (forex) commodity component for the importation of tires, tubes, and vehicle spare parts.

The predominant activity of RONCO was to provide technical assistance and related forex provision for the importation of agri-business production and marketing equipment. By September 1990 it was apparent that inflation, devaluation, and the lack of kwacha credit impeded substantial use of this mechanism. Therefore, in accordance with the Project strategy to "take advantage of any policy changes" favoring promotion of the private sector to participate in agribusiness marketing, ZAMS was refocused to center on new opportunities for rural hammermill and small-scale oilseed pressing enterprise support. Consequently, a new PP Supplement, christened ZAMS II, was approved on March 8, 1991. The major alterations were (a) an LOP reduction to \$12.1, (b) inclusion of implementing roles for VITA, VIS, and Africare; (c) a change of RONCO's status from central to co-implementor and Project coordinator & facilitator; (d) an elimination of the foreign exchange commodity procurement component; and (e) changes in the training to correspond to the maize and oilseed refocus.

II. PROJECT CONTEXT: AN ENABLING ENVIRONMENT

From independence in 1964 to November 1991 Zambia was ruled by Dr. Kenneth Kaunda and his party, UNIP. State control of the economy and political life of the country became onerous. Private enterprise was typified as "exploitive," and the state eventually took over direct control of 90% of the domestic production and marketing. During these years the per capita income declined on average 2.7% per year in real terms, ultimately placing Zambia as one of the world's poorest nations with a per capita income of \$250 per annum. Concurrently, the foreign debt grew to \$7 billion, or some \$900 per Zambian.

Mounting popular discontent during the 1980s eventually forced Dr. Kaunda to open the political process to other parties, and on October 31, 1991, Mr. Frederick Chiluba of the MMD won a landslide victory over UNIP for both the presidency and parliament seats.

The MMD has embarked on a path diametrically opposed to that followed by UNIP for most of its years in power. The leadership is outspokenly pro-private sector and economically liberal. It has set about creating an enabling environment destined to make the private sector the economic motor of Zambia and the government the guide and supervisor. To back its new policy direction, the GRZ has already promulgated liberalized trade and encouragement of foreign investment, and is enacting clear, transparent privatization, anti-monopoly, taxation and other legislation. However, heavy constraints will curb an early follow-through on this favorable ambience, amongst them (a) high inflation, (b) negative interest rates, (c) lack of credit and loan funds, (d) poor local market, (e) decrepid transport infrastructure, (f) lack of investor confidence, (g) world recession, (h) international glut of companies offered for privatization, (i) lack of local entrepreneur base, (j) drought, and (k) high HIV rate. Somewhat off-setting these constraints are the favorable points of (a) extremely clear private sector orientation, (b) large amount of good, untilled farm land; (c) positive donor response; (d) possible heavy South African investments interest.

III. PURPOSES OF THE EVALUATION

The objectives of this mid-term evaluation are to (a) assess the validity of the assumptions governing ZAMS II, (b) assess available evidence of project impacts (especially economic/social benefits and viability of rural hammermills and small-scale oilseed processing), (c) analyze the evolving enabling environment, and (d) develop strategies and ideas for the "expansion, extension, and/or redirection" of ZAMS.

IV. MAJOR FINDINGS AND CONCLUSIONS

A. Project Context and Design

1. The political-economic context and environment into which ZAMS was designed in 1988 was not one in which the Project could significantly fulfill its mandate to "serve as an effective vehicle to help move the economy from the inherited system based largely on marketing through parastatals toward a system in which private enterprise takes in increased role in marketing functions."

2. In 1990 the Mission correctly judged that refocusing ZAMS to concentrate on support of the National Hammermill Programme and rural oilseed processing would fit "the existing policy environment and take advantage of policy changes" as a way to achieve some measure of Project goal and purpose attainment.

3. Since November 1991 a policy environment exists under which the original goal and purpose of ZAMS can be achieved to great measure. The current economic context (particularly with reference to inflation and related constraints), however, is not conducive to an early, widespread build-up of sustainable agribusinesses.

4. ZAMS has the distinct advantage of being "on the ground" to play a key supportive role to the MCTI in the reconversion process of the economy.

5. The time is ripe for USAID to again redesign ZAMS to take advantage of the new policy ambience and evolving enabling environment so as to be able to realize the Project goal.

B. ZAMS II Implementation Evaluation

1. USAID/Zambia holds eight currently active ZAMS contracts between it and five contracting/grantee organizations. ZAMS/RONCO is the overall coordinator and facilitator but holds the position of co-implementor. Therefore, ZAMS is a hybrid organization (that is, one contractor holds certain responsibilities but not the authority of enforcement) requiring extra attention to maintain its cohesiveness and coherency.

2. Formal project oversight is through the Project Executive Committee (PEC), chaired by the Director of Industry of the MCTI. With the change-over from ZAMS I to ZAMS II the AMAG Committee for project planning and review was dissolved. This has left a void, and a need to arrive at the quarterly PEC with more developed criteria for planned activities.

3. Considering the short period of ZAMS II (14 months), and the constraints of initial funding flow and policy/political ambience, ZAMS/RONCO has done a creditable job in coordinating and facilitating the Project and in producing foundational outputs in its five general areas of responsibility.

4. The VITA hammermill TA has been well-formulated, if not always practically applied by field staff. The VITA institutional strengthening has been strongly felt in terms of training capacity; however, the financial and accountancy areas of VIS remain murky.

5. In accordance with the PP Supplement, VIS has acquired three locales for "hammermill maintenance, training, spares supply, and making simple spares." The refurbishment of two are quite advanced. The practicality and viability of these locales as laid out in the PP Supplement are doubtful. Long term recurrent expenses will occur.

6. Africare was to develop small-scale oilseed press activities in Southern Province. However, severe constraints developed, including (a) late payments by USAID, (b) seed and equipment technology problems, (c) inadequate outreach mechanisms, and (d) women groups inappropriate for business enterprise. Though implementation was weak as a result, (a) valuable lessons were learned by Africare and ZAMS for application, (b) the great needs and demands for small-scale oil pressing were identified and documented, and (c) a large body of applicable knowledge has accrued for expansion of the component.

7. SIDO was given a local currency grant for training and the purchase of vehicles. First training sessions started in May. The level of VIS' loan

recovery and the quality of hammermill installations are superior to those of SIDO, probably to be credited to VITA's technical assistance.

C. Hammermills & Oilseed Pressing: Viability & Benefits

1. Rural hammermills are financially viable and carry important economic and social benefits to the rural areas. Under the liberalized environment it can be expected that additional food processing opportunities will develop and that production and trade areas will expand around some mills.

2. Small-scale oil expelling promises to be economically viable and to provide important nutritional and economic benefits to rural people.

V. LESSONS LEARNED

1. Greatly distorted command economies offer inadequate opportunities for development programs to successfully promote substantial and sustainable private enterprise growth.

2. To be successfully implemented, outwardly "simple" seed and agro-processing technologies and dissemination (such as oilseed husbandry and expelling) can require a great deal more applied experience than is at first apparent.

VI. MAJOR RECOMMENDATIONS: PROJECT ALTERATIONS

1. USAID and ZAMS should confer with the Ministry of Commerce, Trade and Industry (MCTI) about key roles that ZAMS can play in Zambia's agribusiness industrial and marketing growth and development, now that the MCTI is undergoing a major restructuring to become a guide and supervisor rather than a controller and operator. Of particular interest for ZAMS' interaction are the areas of trade and commercial policy, sector studies, restructuring of marketing systems, private agribusiness development, investment promotion, privatization, export development, small-scale rural enterprise, and enhanced food security.

2. To fill the project planning and review void left by the dissolution of AMAG after ZAMS I, it is recommended that a Project Implementation Committee (PIC) be formed to meet monthly, chaired by USAID's GDO and attended by Project implementors and relevant guests, for the purposes of (a) enhancing the quality of Project activities, (b) maintaining Project coherency and cohesion, (c) keeping each part informed of the whole, and (d) arriving at the PEC with more developed ideas and criteria for the actions planned.

3. VIS should undergo a full external audit to assess its financial and accounting status and inadequacies before USAID considers continued or additional further support. As a further prerequisite, VITA, USAID, and VIS should work out an action plan of benchmark achievements and time limits for VIS, including (a) a functioning board of directors, (b) clarification of executive responsibilities, and (c) clarification of NGO status.
4. With regard to the VIS workshop locales whose expenses are to be borne by USAID, a commission should be formed quickly to (a) rationalize uses of the two centers in advanced states of refurbishment, (b) give detailed cost and financial projections, (c) incorporate coverage of ZAMS III hammermill sustainability program, (d) and establish a legal covenant to accomplish the eventual privatization of facilities.
5. The issuance of a new PP supplement is recommended because (a) there is a favorable environment to re-expand the mandate to meet ZAMS' original objectives, (b) the oilseed subsector studies and the Africare oil pilot project in Southern Province have shown that a major expansion is justified, (c) the inclusion of a contractor is recommended to promote business advisory services in order to support SSE start-ups and sustainability, (d) the prime contractor should expand its staff, consultant availability, and equipment to cope with the increased demands and opportunities of the improving business environment; and (e) a five year period is needed to achieve telling and sustainable impact.
6. It is recommended that the strategy of ZAMS III be to foster efficiency in agricultural marketing systems through private enterprise development and support, using studies, interventions, training, resource support, and information dissemination that will initiate, transform, or fortify systems and businesses so that they may facilitate and/or enjoy profitability on a sustained basis.
7. It is recommended that the existing project components be retained but be enhanced and/or altered to meet the opportunities developing, and that new components or activities be added in the areas of marketing, studies, business advisory, and information dissemination in keeping with the original Project Paper intentions.
8. In order to maximize goal achievement, it is recommended that the mix of these components and activities recommended be complementary inter-alia and that project implementation cover the wide angle (e.g. impacts of policy changes, comparative advantage studies, subsector analyses), systems (e.g. distribution analyses, market/marketing interventions, regulatory review), large applications (e.g. specific agro-export opportunities analyses), and direct interventions at field level (e.g. oilseed processing, hammermill sustainability). All this should be supported and multiplied by training and by outreach advisory services, and facilitated and leveraged by coordination and information dissemination.
9. Among the primary concrete actions recommended to take in order to fulfill points 6 through 8 are:
 - a. that - given ZATPID's strengths in policy and economic analyses and ZAMS/RONCO's orientation toward facilitating specific improvements

in agro-processing and marketing leading to private enterprise growth - a closer alliance between the two Projects would yield valuable combined policy change & appropriate intervention analyses at this juncture in Zambia's radical socio-economic transformation. Overall, it is recommended that ZAMS/RONCO expand its study capabilities in order to (a) reveal the economic dynamics and repercussions of changing policy frameworks and economic fundamentals, (b) set the stage for advisors and implementors to correctly address constraints and opportunities for private agribusiness growth, and (c) develop specific applied approaches to engender growth in agribusiness production and marketing. Encouragement of greater MCTI involvement in study planning and participation is recommended.

b. that a Marketing Unit be formed within ZAMS/RONCO to precipitate maximum improvements in (a) marketing/trade policy and regulations, (b) physical infrastructure for marketing, (c) identification of agribusiness growth areas (domestic and export), (d) proliferation and growth of private agribusiness firms, (e) resolution of marketing bottlenecks, (f) upgrading of product quality to increase domestic market share (particularly of SSEs) and export advantage, and (g) enterprise management.

c. that ZAMS/RONCO lead a unified Hammermill Sustainability Programme (HSP), planned as a three year subproject, after which ZAMS would withdraw, leaving mill operators with basic maintenance and business training, trained rural mechanics to do maintenance and simple repairs, private sector workshops for minor and some major repairs, and the best possible spares' availability compatible with the objective of private enterprise growth. To both boost hammermill financial sustainability and to achieve the broader Project purposes, it is recommended that the HSP initiate and/or collaborate on analysis and promotion of additional viable agribusiness activities (e.g. dairy feed blending, contract crop growing); facilitating activities (e.g. rural road grading, rural market start-up); and combination business/facilitating activities (e.g. rural transport, private mechanic services) at and in the areas of the potentially more successful mills.

d. that ZAMS/RONCO improve its capacity to edit, improve or provide graphics, publish, bind and disseminate information and studies and that it publish a quarterly ZAMS Newsletter designed to make known accomplishments, methods, upcoming events, opportunities and the like for the furtherance of Project aims.

e. that ZAMS III have an expanded Small-Scale Rural Oilseed Processing component under the direction of an international contractor with a proven track record in this field and in a similar setting to provide an assistance package that gives farmer-entrepreneurs the capability and ability to produce cooking oil and seed cake economically for family use and for sale.

f. that, to have impact at the base level of SSE formation, ZAMS incorporate an experienced international contractor to spearhead a Business Advisory component whose major objectives should be to (a) foster the growth and competency of outreach organizations to assist SSEs in agri-business and linked activities, and (b) provide direct assistance to such SSEs.

I. INTRODUCTION

This is the scheduled mid-term evaluation of the Zambia Agribusiness and Management Support Project (ZAMS), project number 611-0214 authorized on July 27, 1988 with a life of project funding of US\$33 million (\$15 million in dollars and \$18 million in local currency equivalent). The project was amended on March 8, 1991 with a LOP funding reduction to US\$12.1 million and PACD of September 30, 1993. The purpose of this project was and is to assist the GRZ to increase agricultural production, rural incomes, and nutritional status through improvements in the country's agricultural marketing systems. Particulars of the project design, amended design, and purposes and goals are examined in section II, PROJECT DESIGN.

A. PURPOSE AND ISSUES OF EVALUATION

The primary objectives of the evaluation as laid out in the Scope of Work (Annex A) are (a) to address the validity of the assumptions that govern the revised project, and (b) to assess available evidence of project impact to date, specifically in terms of:

- * economic/social benefits of small-scale rural maize meal processing,
- * economic and financial viability of hammermills, and
- * economic benefits and viability of small-scale oil seeds processing.

The "enabling environment" is to be analyzed as a measure and projection of the positive and negative external elements affecting the growth of the agribusiness sector and, therefore, the potential success rating of this project.

The evaluation team was also instructed to analyze the institutional capability of the Ministry of Commerce, Trade and Industry's (MCTI) Industrial Planning Unit (IPU) and to recommend ways in which USAID may best assist it to overcome constraints to accomplishing its ends.

Finally, the evaluation team is required to develop strategies and ideas for potential expansion, extension, and/or redirection of project activities. This area has already been extensively thought through by USAID and the principal contractor, such that the team's efforts will be analytical of and additive to this groundwork.

B. PROJECT CONTEXT

The economic and political environment within which the project was conceived in 1988 and that taking shape in 1992 are radically different. In fact, important dynamics have significantly changed since the national elections of October 31, 1991.

1. Political

President Kenneth Kaunda served as President of the Republic of Zambia for 27 years, the last 18 of them (the Second Republic) as leader of the sole legal party, UNIP. His guiding philosophy was "humanism," which translated to a state socialism in which government wielded pervasive power and control in politics, the economy, and social prerogatives. Government was largely by presidential directive.

By the early 1980s Zambia's "command economy" had descended to a state of severe economic deterioration. In the mid-1980s the country entered into a period of zigzag, "on again, off again" compliance and rejection of IMF prescriptions for restructuring the economy. Decisions to take or not to take measures prescribed were political reactions to social and economic pressures rather than part of a willingly accepted long term process towards recovery. Socialist steps such as further nationalizations and suppression of private sector marketeers were interspersed with extremely liberal ones, as evidenced by the Investment Act of 1991. Predictably, no sustainable economic rehabilitation could take place in this unstable setting. Social protests and pressures increased to the extent that the UNIP was compelled to abandon "one party democracy" and allow multi-party democracy to come into being. Subsequently, elections were held on October 31, 1991, and Frederick Chiluba and his MMD party took executive and legislative power in a landslide victory.

The MMD leadership is private sector oriented and economically liberal, voices a firm commitment to follow the IMF/IBRD stabilization and structural adjustment measures, and has shown an eagerness to move ahead quickly. However, the MMD came together as a coalition of interests to defeat Kaunda, and the question remains if it will be able to hold together in face of divergent political, economic and ethnic interests within its ranks.

Of a total of some 360 thousand people with formal employment 70 thousand (19.4%) are said to be in the civil service, 45 thousand additional (12.5%) employed by the civil service (total of 31.9% civil service), and 90 thousand (25%) by the parastatals. The public sector, then, employs approximately 57% of the work force with formal employment.¹ The government intention is to cut away as many as 50 thousand of those 115 thousand civil service employees and perhaps a quarter of the 90 thousand parastatal workers, as most of these enterprises are groomed for privatization. On

¹ Of the total labor force of some 2,356,000 in 1988 360,720 or 15.3% was employed in the formal sector.

May 23rd the government declared redundant some 20 thousand unionized workers in lower echelon civil service employment, only to retract the order on June 1st due to inadequate preparations and rationalization. However, on June 5th the government laid off 15 thousand city and municipal council workers through the Ministry of Local Government. It is to be anticipated that the "political will" of the government will be tried time and again by social pressures emanating from economic pains caused by adjusting from a state-run economy with radical manipulation of supply and market forces to one oriented to competition based on relatively undistorted market signals.

2. Economic

From 1989 to date the annual rate of inflation has exceeded 100%. At the time of project authorization in mid-1988 the rate was over 50%, while in the designers' last full reference year, 1987, it was 40%.

At the time of project design and approval the exchange rate was highly overvalued at a pegged 8 kwacha per dollar. Several months after project approval it moved to 10 per dollar, and on the eve of the RONCO team arrival was at 16, going to 19 by end-1989 and 21 in early February 1990. A dual exchange rate was then instituted, the official exchange rate (OER) being K25=\$1 and the "market" exchange rate (MER) 40 to \$1. Increasingly, import categories passed over to the open general license listing and the MER, oil and fertilizers remaining at the OER. Meanwhile the gap between the rates narrowed, and by the end of the year the MER was at K48=\$1 and only 15% above the OER. On May 1, 1991 the two rates converged at K58.8=\$1, and the Foreign Exchange Management Committee was disbanded. At present the official rate is approximately K150 to the dollar and the "retention" rate (used for most transactions) 200 per dollar. Over time this will be allowed to go to its market demand rate.

Foreign exchange shortage has been and is a great constraint on industrial performance. In the mid-1980s the average industrial capacity utilization was as low as 30%. By the time the ZAMS project was designed this had risen to the upper 30s percentile and, in 1989 (when ZAMS was coming on stream) the GRZ estimates overall utilized capacity was up to 45%. However, with the inflation/high interest rates, credit squeeze, and declining kwacha value, foreign exchange access was again reduced, and utilized industrial capacity declined to 37% for 1990. Despite the implanting of an open general license system and a general process of trade liberalization, these constraints continue to keep foreign exchange difficult to access with the resulting lack of spare parts, raw materials, and capital equipment for industry to operate at greater capacity.

Zambia's foreign exchange earnings are heavily dependent on copper exports, the world prices of which were depressed through much of the 1980s. Despite favorable trade balances, Zambia runs a chronic negative balance of payments due to high external debt and consequent debt servicing obligations. As indicated, the resulting lack of foreign exchange has been a severe constraint on utilization of industrial capacity.

Credit at project start-up and even more so now was and is scarce, both as part of the fight against inflation and because interest rates remain negative. Currently the legal interest rate is 51% per annum versus an inflation rate in excess of 100%. Where commercial credit is available, users have to deposit a cover of two and a half times the amount borrowed and for which they earn 38% interest, or a series of "fees" are tagged on to have a real positive rate. Usurer "street credit" may charge 100% interest per month.

Zambia's income per capita in real terms has declined an average of 2.7% per annum from 1965 to 1987 by World Bank estimates. In 1987 it was \$250, putting Zambia in the Bank's "low income" category. At the same time Zambia has an extremely high foreign debt of some \$7 billion, or \$900 per capita.

In 1992 Zambia's Southern, Western, and Central Provinces have become engulfed in what is now seen as Southern Africa's worst drought of the century. Countrywide there will be a short fall of two-thirds of the basic dietary food staple, maize. While substantial food aid is arriving from the U.S. and other donors, the economic effects will be deep, particularly if the rains fail again at the year-end rainy season. As well as crop failures, cattle deaths and water shortage are resulting from the drought. Another catastrophe, AIDS, has taken hold of the country, with perhaps more than 20% of the population being HIV positive at this time. This will impact strongly on the national economy.

Ninety percent of the GNP is said to be controlled by some 150 parastatals. Under the current government the vast majority of these are to be privatized.

3. Social and Demographic

Though Zambia is a country of great, untapped agricultural potential, it has quickly become a heavily urbanized country going from 29% city dwellers in 1969 to 53% now out of a total population of some 8 1/4 million. The copper mines have been a great draw to urban areas as has the long term government policy to cater to urban populations through price fixing of consumables, to the detriment of the farmers. The freeing of prices and of distribution will provide farmers better income opportunities in the long run, though the current drought is an off-setting factor at this time.

With a geographic area of 752,614 sq. kms., Zambia has a population density of only some 11 people per square kilometer and has a high percentage of unused, arable land. Therefore, its annual population growth of 3.7 is not as alarming as, say, in Kenya which has three times the population in a smaller land mass with a relatively low percentage of arable land.

Since the ZAMS project was conceived, the AIDS virus has been identified as affecting a vast number of the populace, to the extent that half of the nation's hospital beds are now occupied by victims of this disease or related ones, especially tuberculosis. As AIDS is most prevalent in people in their prime, the economic impact of this health scourge is huge. Education services have suffered heavily in

the past ten or more years as real incomes eroded and parastatals furnished losses rather than profits. Nationwide, the literacy rate is only in the area of 30%.

The social ambience now is a relaxed one of freedom of expression, assembly, and opening of economic opportunities - though this later freedom is difficult to practice under the continuing depressed and high inflation conditions.

4. Enabling Environment

When the project originated, the general environment for private sector growth was not positive; rather, it was very negative. Private sector capitalists (even down to the level of kiosk owners and street hawkers) were vilified and suppressed. The aperture to privatization and large or foreign-based private enterprise at that time was begrudging and seen by the highest echelon of government as a necessary evil. The privatization scheme of the prior government, for instance, foresaw those parastatals to be made private going into the hands of only Zambian stockholders, particularly small ones, making it unlikely that adequate dynamism and efficiency would replace the lethargy of bureaucratic management.

It can be affirmed that a positive ambience for private sector growth now does exist. This shift in environment provides the ZAMS project with real and new opportunities to achieve a marked success in facilitating agricultural marketing improvements and alterations that will translate to increased agricultural production (if the drought desists), higher incomes in the rural sector, and improved rural nutrition. Let us examine the main components and ingredients of this enabling environment:

a. Benevolent Government Disposition and Policy Commitment Towards The Private Sector

The previous government for many years was anti-private sector at all levels, typifying private enterprise as exploitive of the populace. In later years, under pressure but not with philosophical commitment, it relented somewhat and in a ragged fashion, particularly with regard to small business. The government's prevailing antagonistic attitude towards the private sector was not one to engender a positive business ambience nor investor confidence.

The new government, however, has come in with an unequivocal agenda to encourage the private sector and to shed much of the inherited control and manipulation of all facets of Zambian political and economic life. This commitment is encapsulated in its policy paper declaration that: "The economic strategy is grounded in the view that individual initiative and freedom in the market place and in the political arena are essential for a thriving economy." This attitude does engender investor confidence. For instance, with South Africa's move towards majority rule, Zambia has welcomed and been inundated with interested potential investors from that country, partly due to the uncertainties of their own country's political stability.

The current government is moving quickly with an ambitious plan to privatize most of the overwhelming parastatal hold on the productive sector. International donor technical assistance is being expanded to the Technical Committee on Privatization of the Ministry of Commerce, Trade and Industry (MCTI). Privatization facilitation mechanisms such as debt/equity swaps are under consideration. Safeguards are being legislated to avoid monopoly/oligopoly abuses. Devices are being instituted to assure that the public will be able to acquire shares over time in key industries.

The MCTI and other ministries now see their roles as facilitators and supervisors rather than implementors and controllers, and ministerial reorganization plans are being structured to meet the new realities.

The policy of liberalization of trade and commerce will replace the preponderant control over major agricultural inputs and outputs by the government boards, parastatals and the state-sponsored cooperative system with an open new order in which private companies, traders, and coops can freely compete for business.

Of singular importance to the growth of the private sector is the favorable business ambience being fostered by the new government. The negative concept of the private sector, and the unpredictable policy and directives swings of the past government guaranteed that widespread investor confidence and action would not occur no matter how outwardly positive their policies at a given moment might appear.

b. Government Stability and Policy Continuity

The last six or seven years of the Kaunda rule were unstable, and fraught with popular discontent. Policy pronouncements were erratic, and in no way conducive to creating an enticing environment for private sector growth.

It is early to say if Zambia will achieve a long term stable democracy in the wake of 27 years of essentially one man rule. Nevertheless, today's leadership expresses adherence to a cogent policy of private sector promotion, and no indications are appearing of popular backing for a return to a socialist model of government.

Special mention must be made of the politics of maize; to simply say in passing that maize meal or flour (called nshima in its cooked form) is Zambia's staple food would be to effectively understate the degree of importance it merits. Maize constitutes some 80% of all marketed agricultural produce. Traditionally large amounts of maize are contrabanded out to neighbors, particularly Zaire, since it has been price controlled, and large profits were to be made on export prices. Nshima constitutes the average Zambian's main diet by both preference and price. Until now the government has catered to the urban dwellers by subsidizing the cost of mealie meal, at immense cost. The new government has moved quickly to reduce subsidies and price controls, with the result that prices have skyrocketed several hundred percent in the past six months. This comes at a time of drought (that will force many peasants as well as the urbanites to buy maize donated to or imported by the GRZ) and job insecurity, with many thousands of public sector employees slated to be made

redundant. However, these painful measures are needed to correct the distortions and long term depressing effects of the prior highly "managed" economy.

c. Enabling Legislation

Benevolent disposition and enabling policy by the state toward the private sector as the economic engine must be accompanied by corresponding legislation in matters of investment, taxation, banking and the like. The new government is moving quickly in this direction, already having put before the Parliament anti-monopoly and privatization bills. A goal of this government is to operate through transparent legislation rather than executive directives or rubber stamp legislation.

The Investment Act of 1986 which was in effect at the time of the ZAMS project initiation did not offer adequate inducements and safeguards to investors, particularly those from abroad. The 1991 Investment Act does offer guarantees against nationalization, but no doubt will be slated for review for overall conformity to the MMD investment and private sector philosophy.

d. Minimal Interference with Market Forces

Under the UNIP government, business was controlled and managed rather than encouraged and supervised as the government now in power pretends to do. An overwhelming percentage of the economy's products and produce was controlled by the state, keeping the private sector marginalized. Furthermore, price settings and subsidies distorted demands and diverted production away from areas of comparative advantage. The government in power is addressing this constraint by opening business participation wide, privatizing the parastatals which control some 90% of GDP, and eliminating the remaining fixed prices and subsidies on basic products.

e. Regulatory Efficiency and Even-Handedness

Clear policy and legislation intentions can be stymied by excessive regulatory hurdles, inefficient bureaucracy, and corruption. The new government must be vigilant to assure that business people receive enabling rather than impeding treatment in this regard. This applies to both domestically owned business and those springing from foreign investments. UNIDO/Irish Aid are designing a new Investment Centre that will incorporate one-stop registration service.

f. Enabling Economic Fundamentals

With high inflation, the government is controlling money supply and credit to cool the spiral. Both the inflation and the means of combating it are negative incentives to investment in the productive sector. Lowering the inflation to a level whereby credit and orderly productive growth can be encouraged is a top government priority. Certainly, however, it will be difficult to slash the inflation rate in the very near term when considering the upsurge in maize prices and the additional need for liquidity that the consumer purchasing of imported and donated maize will require as well as the push-pull of wage-price increases.

C. TARGET AUDIENCES

This mid-term evaluation is meant to be a constructive exercise for the use and benefit of the Ministry of Commerce, Trade and Industry; USAID/Zambia; and the implementing institutions of this project.

D. METHODOLOGY

The evaluators discussed the background and issues of evaluation intensively with A.I.D. officers before launching into the reading of documents, contracts, reports, monitoring devices, and the like. Annex B is a bibliographical listing of major documents consulted. Having received this initial grounding, the evaluators had appointments with informants for the areas and issues which required answers. Field trips were made to Southern and Central Provinces. All the while the evaluating team gathered other relevant documents and made further appointments. Annex C lists persons interviewed. After further refinements of outlines, writing was undertaken in-country. Concerned Mission officers and project implementors were briefed and consulted throughout the period. Report drafts were presented to the Mission approximately two-thirds of the way through the consultancy period and reworked and refined to final accepted reports shortly before departure.

E. TEAM COMPOSITION

The mid-term evaluation and assistance in preparing a PP supplement were undertaken by two American consultants through TvT Associates of Washington, D.C. They were contracted for 53 days each (of which 4 were travel days) to carry out these two assignments. They were:

Joseph F. Burke. Mr. Burke is a graduate in business administration and foreign trade and pursued a career in marketing, sales management, and export in Latin America and Africa before entering the field of development consultancies in 1983.

Since that time he has carried out a wide variety of short and long term assignments in marketing, management, project design and evaluations. Mr. Burke has written this report.

James F. Bell. Mr. Bell holds masters degrees in business administration and industrial & vocational education. Since 1970 he has been a development professional, carrying out long and short term assignments in Africa, Asia, and the Americas in agri-business, management training, agricultural marketing & trade policy reforms, rural development, evaluations, and project design. Mr. Bell has developed the PP Supplement.

F. LIMITATIONS OF REPORT

The evaluation team was meant to include a Zambian rural sociologist; however, at the last moment he was unable to participate, and a suitable replacement could not be found on short notice.

This project has an unusually large number of contracts (13) and implementing agencies (5) holding contracts directly with the USAID Mission. Likewise, the volume of materials to be digested and the number of informants to be interviewed were large in relation to the time inputs of eight weeks each for two consultants for both this evaluation and the PP supplement work. Furthermore, the focal point of the evaluation, ZAMS II, was only 14 months old when the consultants arrived.

The rapidly evolving favorable business environment, combined with ZAMS being one of the few private sector international development programs already functioning in Zambia, provides USAID the unique opportunity of lending immediate operational support to related GRZ strategies. Therefore, the evaluators consciously divided the time available to be able to concentrate heavily on analyzing matters of project redesign and inputs that can convert ZAMS into a dynamic catalyst and promotor of sustainable growth benefiting the rural populace.

II. PROJECT DESIGN

A. BACKGROUND (Original PP, July 1988-March 1991)

AID/Washington approved the Project Identification Paper (PID) for the ZAMS Project on March 31, 1988. From late-May to mid-July 1988 the project design team met with some forty-five key informants and also relied on studies commissioned through Deloitte ("Study of the Oil Seed Sector in Zambia," April 1987), Nathan/AGMMARK ("Market Potential for Fruits, Vegetables, and Minor Field Crops," June 1988) and AGMMARK ("Institutional Analysis of Agricultural Marketing Firms in Zambia," June 1988). The Project Paper (PP) was approved on July, 27, 1988 with a PACD of September 30, 1993 and LOP funding of \$15 million plus \$18 million local currency equivalent.

Goal as stated in PP: "The goal of the project is to increase agricultural production, rural incomes, and nutritional status through improvements in the agricultural marketing system for both agricultural inputs and outputs."

Purpose as stated in PP: "The purpose of the project is to improve the operational efficiency of the agricultural marketing system for selected agricultural inputs and outputs in selected geographical areas, and promote market development."

Project Strategy as stated in PP: "The project is designed to operate effectively within the existing policy environment and to take advantage of any policy changes in the future. The strategy of the ZAMS Project is to focus on those elements in the private sector agricultural marketing system that will help the GRZ to achieve key objectives that were outlined in the Interim National Development Plan (INDP) fulfilling the policy of 'growth from our own resources.'"

Project Rationale as stated in PP: "...ZAMS Project...can serve as an effective vehicle to help move the economy from the inherited system based largely on marketing through parastatals toward a system in which private enterprise takes on increased marketing functions."

The original implementing structure was to have a prime contractor whose Agricultural Marketing Advisory Group (AMAG) would keep the counterpart ministry (Commerce and Industry) and the Mission informed of "opportunities to assist with expanding, improving, or establishing marketing enterprises and activities." The contractor was to interact very closely with VIS and SIDO in particular, and the Mission would operate through grants to these and other NGOs as required.

While day to day liaison was to be with the Ministry of Commerce and Industry, project oversight was to be through a high level Advisory Council composed of the permanent secretaries from four ministries, the USAID Mission Director, and the AMAG Chief of Party. This latter mechanism never functioned.

The main inputs to achieve project ends were scheduled to be Technical Assistance, Training and Commodities.

The activities first and foremost were to center around assistance to agro-processors, initially concentrating on small-scale sunflower seed expellers, soybean processing for local consumption; and fruit and vegetable processing. Other year one activities were to include in-country studies to identify viable new sub-projects, local currency assistance for rural storage facilities, local currency assistance to improve produce market facilities, and transportation improvements including ox-carts; rehabilitation of roads in project areas; and a limited number of farm to market trucks.

The Mission managed a \$2 million tires and spares forex/import component, whereas the ZAMS international contractor was to manage successive forex contracts for importations related to agri-business production/marketing very much in line with the technical assistance component. As explained in the PP: "For example, a Zambian emergent farmer who would like to investigate the possibility of establishing and operating a fruit processing facility to make juices and concentrates for the soft-drink industry could be referred to AMAG for assistance. AMAG will help this client to analyze the potential viability of such a venture, either by using its own technical staff, or by mobilizing appropriate specialists from among Zambian consulting groups, or by bringing in consultants from outside Zambia. If the analysis indicates that the venture is financially and technically feasible, AMAG will assist the client in identifying sources of equipment, help to arrange for the necessary foreign exchange (from the ZAMS Project), and provide assistance as needed to help the client procure the equipment. The client will provide the kwacha cover for the foreign exchange, either from his/her own resources or by borrowing through existing banks or credit institutions....AMAG, in collaboration with SIDO, VIS, U.S. PVOs, or Zambian NGOs, will work with the client in setting up or strengthening the enterprise and will arrange any needed training in the operation of the equipment and in business management. Workshops or training sessions will be used to help organize neighboring farmers, and to assist them in producing and delivering the kinds of produce required for the enterprise to operate efficiently, and at higher levels of capacity utilization."

The predominant activity from the time of arrival of the RONCO team (c. October 1989) for the first ten or eleven months was to attempt to carry out technical assistance in the fashion described in the preceding paragraph. Grave difficulties were encountered in executing this methodology because inflation was shooting upwards, devaluation of the kwacha was occurring, credit was not available, and the general business environment was not favorable. While many feasibility studies were done, only four equipment procurements for a total of some \$400 thousand occurred as a result of the constraints already mentioned. The outcome was that the Mission suspended this activity in September 1990 and proceeded to prepare a project paper supplement, which was to become known as ZAMS II.

Other activities embarked on during the first phase of ZAMS were:

- * Six participants selected for masters degree programs in the U.S. departed.
- * Sixteen people were sent for short term training related to Project aims in the U.S. and third countries.

- * A one year local currency agreement for institutional strengthening of Village Industry Services (VIS) was carried out and then extended for a two year period.
- * An Operational Program Grant (OPG) was signed with Volunteers in Technical Assistance (VITA) to support VIS's institutional strengthening.
- * Seventy-five hammermill operators and 19 mechanics were trained.
- * RONCO/VIS made a preliminary Hammermill Survey.
- * Africare (an American PVO already active in Zambia) was approved to carry out a women groups' edible oil project in the south of the country.
- * A Training & Consultancy Workshop identified ZAMS' participant training needs and competent local/regional training institutions to collaborate with the Project.

While the evaluating team has not been asked to critique ZAMS I, it is important to state certain understandings they have both as a lessons learned exercise from its design and execution, and because this original PP remains in effect except where specifically altered by the PP supplement. The observations:

1. The PP was designed to conform to the Mission's FY-1989 CDSS Update identification of agricultural marketing as a key constraint and target of opportunity as well as to agree with the GRZ's Interim National Development Plan. However, the INDP was what followed the Kaunda government break with the IMF. Given the UNIP track record on economic issues and private sector participation, it was unlikely that it would abandon its domination and manipulation of the economy to a significant enough degree to allow ZAMS' "approach to introduce a coordinated package of practices which includes a number of elements believed to be needed to make the marketing system...work efficiently" to succeed to a notable degree.

2. It may be surmised that the project designers stated that the "project is designed to operate effectively within the existing policy environment and to take advantage of any policy changes in the future" (underlining ours) to take into account the volatility of GRZ economic policy making. Also, the Project was not to deal with maize as the government, far from showing signs of liberalizing any facet of maize trading or processing, had just nationalized more mills in 1987. However, with maize constituting 80% of all agricultural produce in Zambia and constituting the basic daily diet, all other grains necessarily lived in its subsidized shadow. navigating through the maze of distortions to uncover stable application opportunities to fulfill the mandate of the Project would be a difficult task.

3. The main project activity was to provide extensive technical assistance, foreign exchange, and procurement services. This is an intensive and extremely expensive activity (as described some five paragraphs ago) which would hardly be

² "Zambia Agribusiness and Management Support Project 611-0212 Project Paper, USAID, July 19, 1988. P. 5.

justifiable for small and micro enterprises. Nevertheless, these are the signalled principal beneficiaries, as confirmed by the indication that SIDO and VIS would collaborate in the exercises.

4. No credit component was included in ZAMS. The PP assumption that "The client will provide the kwacha cover for the foreign exchange, either from his/her own resources or by borrowing through existing banks or credit institutions" is flawed. The small/micro client normally has neither adequate cash resources nor access to formal lending channels; and as the Project came on stream at the beginning period of high inflation coupled with negative interest rates (1988: 50% inflation, 25% interest), no credit would be issued to large, established firms either. Likewise, in a period of high inflation and devaluation even those few firms big and prosperous enough to handle equipment purchases from internal resources would not be holding them in cash form.

5. International contractors under USAID funding often have a difficult time acting efficiently as intermediary procurers of foreign exchange, import licenses, and imported equipment for clients due to USAID's cumbersome regulations, and sometimes their own inexperience with equipment to be imported and with the import business itself. If USAID sets up rules and regulations that permit acceptably "agile" importation, it is often best to act through experienced importers or freight agents.

6. The local currency funding methods of USAID were slow and burdensome to contractors, causing disruption of project implementation.

7. The PP was open to broad interpretation as to project activity implementation. Given the existing constraints to operating the forex/import component already evident in the year preceding the International Contractor's arrival, the USAID would have done well to modify or suspend that component and to have the contractor design a strategy and work plan that would still conform to the PP. The PP could have been amended as required.

8. The question of sustainability of development actions and impact was not covered. Assumptions conditioning the project were developed only in a perfunctory fashion in a short logical framework. One suspects that the lack of an enabling environment put the brakes on the development of optimistic assumptions and credible sustainability statements.

B. ZAMS II (PP Supplement, March 1991-Present)

For reasons reviewed above, the ZAMS project was unable to make significant progress. As a result, the Mission carried out an internal project review in August and September of 1990. It was deemed that the purpose of the Project continued to be valid but that an activities' refocus was required. At the time, the government had announced rural area priorities for small scale hammermill placements and oil seed processing. The Ministry of Commerce and Industry agreed that recent maize market policy liberalization made ZAMS collaboration with the National Hammermill Programme (NHP) desirable. Furthermore, this selection of activities fit the

strategy of the PP that: "The project is designed to operate effectively within the existing policy environment and to take advantage of any policy changes in the future." The belief was that the macro-economic and applied dynamics of both the NHP and small-scale oilseed pressing were favorable to viable private enterprise growth as well as to fulfilling the Project goal "to increase agricultural production, rural incomes, and nutritional status through improvements in the agricultural marketing system for both agricultural inputs and outputs" and the purpose "to improve the operational efficiency of the agricultural marketing system for selected agricultural inputs and outputs in selected geographical areas, and promote market development."

Accordingly, redesign of activities and implementation methodologies was carried out, resulting in the ZAMS Project Paper Supplement of February 28, 1991, now referred to as ZAMS II. It was approved on March 8, 1991. The salient elements of the refocusing exercise were:

- * an elimination of the foreign exchange commodity procurement component, although prior commitments were honored.
- * an implementing role for NGOs VIS/VITA and Africare.
- * an alteration of the prime contractor's status from central implementor to joint implementor, activities coordinator, and monitoring and evaluations focal point.
- * a decrease in long term training for Masters degrees in the U.S. from ten to six participants.
- * a redirection of short term training from being predominately in the U.S. to in-country and third country and with relevance to maize and oil seed processing.
- * a reduction in the AID LOP funding from \$15 million to \$12.1 million, and a reduction in GRZ contribution from a kwacha equivalent of \$18 million to \$4.6 million.

1. Validity of Governing Assumptions

Though not stated as such, the evaluator believes that the effective primary governing assumption that led the Mission to refocus the Project activities was that, within the distorted economic framework and volatile political situation reigning at the time, organizational support of the National Hammermill Programme and expansion in rural small-scale oilseed pressing were two (of the few) opportunities whereby ZAMS could influence substantial, sustainable effect in compliance with Project objectives. If such was the case, this assumption was valid because focusing on these two activity areas would tend to (a) enlarge agricultural production, (b) increase rural incomes, (c) decrease rural expenses, (d) better nutritional status, (e) improve operational efficiency in the rural agricultural marketing system for selected agricultural inputs and outputs.

The assumptions that were stated in the PP Supplement Logframe (see Annex E-1) are:

- * "GRZ will maintain producer price incentives." Effectively, such has been the case.
- * "Technology promoted is appropriate." Diesel-run hammermills are essentially appropriate, however; maintenance, spares, and fuel considerations are key. Though small, manual oil press technology per se is appropriate, models placed in the field were defective and too expensive. These matters are discussed amply in chapters III and IV.
- * "No major drought will occur." Though this assumption has proved to be incorrect, support to make rural hammermills sustainable and efforts to promote rural oilseed crushing are not in vain.
- * "GRZ will maintain its priority on agricultural development." The MMD Economic and Financial Policy Framework states that: "Agricultural development in the past has been inhibited by excessive government intervention in pricing and marketing, especially with respect to maize. Price controls and subsidies on maize and fertilizer, the system of uniform national pricing, and the cooperatives' monopoly in maize marketing have operated as disincentives to efficient production and optimal land utilization, disincentives to efficient production and optimal land utilization, while encouraging consumption, stimulating smuggling, and nurturing a bloated and inefficient structure of agricultural cooperatives."³ It says further that: "Zambia's agricultural development strategy will focus on promoting smallholder production by redirecting and augmenting research and extension services, strengthening agricultural credit, and improving rural infrastructure - especially roads, storage, and agro-processing facilities. Specific programmes will be developed to enhance the private sector's involvement in agricultural marketing, processing, and export..."⁴
- * "Fuel will remain available and at an economic price." While fuel has remained available (albeit a constraint to transport out to the more rural of the hammermills), it has increased only 70% in price from February 1991 to June 1992 while inflation has increased cumulatively by approximately 150%.
- * "GRZ will continue to expand direct private sector involvement in agricultural marketing." In a narrow sense (as affected the NHP and oilseeds) the last seven months of UNIP did not impede ZAMS, while the open door approach of the current government is both narrowly and widely applicable to this assumption.

³ New Economic Recovery Programme: Economic and Financial Policy Framework 1992-1994. March 1992. Ministry of Finance. Lusaka. Page 18.

⁴ idem

- * "Private sector costs for the transport sector will remain economical." There is a general lack of small trucks to carry produce from rural areas, and costs are considered high.
- * "Foreign exchange will continue to be made available to insure imports of engines and spare parts for hammermills on a consistent basis." This has generally been the case.
- * "GRZ will maintain policies supporting price liberalization in the agricultural sector." True.
- * "Owners/operators will have access to capital." In the wider sense, access to capital has and continues to be very constricted due to inflation, negative interest rates, and need to dry up liquidity. However, in the specific case of the NHP, participants have had access to capital equipment (the hammermills) at subsidized interest rates through SIDO and VIS. Cooperatives and several other sources also have subsidized credit programs.
- * "Recommendations of ZAMS T.A. and implementing NGOs are sound, accepted and carried out." See Chapter III.
- * "Trainees identified and sent to training in a timely manner." The ZAMS/RONCO and VIS training activities have been properly targeted and carried out. See Chapter III.
- * "Timely delivery of imported commodities." As refers to hammermill engines, yes. Otherwise, ZAMS II has not exercised a commodity import component.
- * "Timely access to credit, training and fuel by small-scale farmers and groups." Credit has been timely to hammermill purchases under the National Hammermill Programme, and training has been facilitated by ZAMS/RONCO and via VIS and lately SIDO. Fuel has been available.
- * "Production technology is appropriate and ancillary support services available to producers in a timely manner." While production technology of both hammermills and oil pressing is appropriate, support availability to rural areas is often delayed and inadequate. Please see Chapters III and IV.
- * "Implementing NGOs carry out support activities in an effective and timely manner." Such has largely been the case: see Chapter III.
- * "Current economic stabilization policies continue to reduce inflation." Negative. Inflation rate has not come under control.
- * "GRZ will continue to provide adequate kwacha funds to project in a timely manner." GRZ provision of kwacha has not been problematic, though through the Mission there were serious delay problems through mid-1991.
- * "GRZ will facilitate clearance of imported commodities." While clearance of motors for hammermills went smoothly, SIDO's importation of spares for them has been held up for a long time in Customs.

- * "GRZ continues to encourage private sector expansion and increases liquidity within the banking system." Under UNIP some private sector expansion became allowed, while now it is encouraged. Liquidity is being constrained to combat inflation.

2. Validity of Goal and Purpose

The evaluation team is asked to assess if the goals and purposes of the original ZAMS PP were, in fact, appropriate and valid for application to ZAMS II. In addition to this, it would be fitting to answer if the goals and purposes were attainable to a significant degree.

a. The Goal

The ZAMS goal is "... to increase agricultural production, rural incomes, and nutritional status through improvements in the agricultural marketing system for both agricultural inputs and outputs." This goal statement contains both the goal attainments aspired to and the applications channel through which to do so (marketing systems improvements). The three desired goal attainments (agricultural production, rural incomes, and nutritional improvements) were valid on an empirical needs basis in 1988, in 1991 and now in 1992. In terms of their application to the ZAMS' hammermill and oilseeds pressing components, these goals are also properly aligned, as will be described in greater detail in Chapter IV. Furthermore, all three interrelate closely in that an increase of agricultural production increases incomes, rural income increases cause greater demand for agricultural produce, and both tend to boost nutritional status.

The second half of the goal statement to be weighed is that of attaining the desired goals "...through improvements in the agricultural marketing system for both agricultural inputs and outputs." The long-standing status has been that the state played a controlling role in the movement, storage, pricing, selling, buying, and transformation of agricultural inputs and outputs. With the UNIP government pressed to liberalize trade and commerce and allow - if not actively encourage - private enterprise, the support and promotion of marketing improvements was seen by USAID/Zambia as the key to goal attainment. Marketing was viewed in the wide sense, to include such elements as agro-processing, storage, and roads improvements. If the government had been much more "across the board" in its decontrol of marketing, and if it had been genuinely desirous of transferring control of the economy to the private sector, then this approach would have been right on the mark for wide application, as is the case in today's environment. As applied in the 1991 PP Supplement refocus, it was also correct, or valid, in that it identified and acted in two very specific areas in which ZAMS could make impacts by supporting marketing system improvements, while tacitly accepting that the policy ambience and business environment of the day were not suitable to engender a general private sector agribusiness improvement.

b. The Purpose

As stated in the original PP and carried over to the Supplement, the purpose of the ZAMS Project is "... to improve the operational efficiency of the agricultural marketing system for selected agricultural inputs and outputs in selected geographical areas, and promote market development." These purposes are perfectly valid and correctly indicate that interventions be made in "selected" inputs and outputs. Both the hammermill and the oilseeds expelling components of ZAMS II are in tandem with these purposes. Again, it is considered that the reduction and refocusing of activities under the PP Supplement of February 1991 was a legitimate decision in light of the frustration of implementation attempts in 1990, the existing policy and economic environment, and the "... requirement to identify and implement other Project interventions that arise from inevitable changes in the economic and political environment."⁵

c. Attainability of Goal and Purpose

The degree to which goals and purposes could be met was severely restricted before the elections of October, 1991. The ZAMS II apparent tunnel-vision refocusing was, perhaps, the best response to the realities of the day. Selecting two applications components from the two major food staples that were relatively sheltered from economic aberrations was a logical fashion to carve out a measure of attainment. Because the realities of today open the doors wide for far greater goals attainment in coming years, the USAID and ZAMS implementors are again correct to move quickly toward redesigning the Project.

⁵ Zambia Agribusiness and Management Support Project (611-0214) Project Paper (PP) Supplement. February 28, 1991. USAID/Zambia. Page 11.

III. ZAMS II IMPLEMENTATION EVALUATION

As well as considering the short period of fourteen months that is the span being evaluated, the reader should bear in mind that the first half was under the UNIP government, and that the second half has been under MMD and the start of a far-reaching reorganization along democratic and private sector oriented principals. Therefore, impact expectations must be conditioned by Project elapsed time, and politico-economic circumstances as well as by the objective performance levels of the implementors.

A. OVERALL PROJECT MANAGEMENT

1. Project Organization and Management

ZAMS falls under the counterpart coordination of the Ministry of Commerce, Trade and Industry (MCTI), specifically under the Department of Industry. Within the A.I.D. Mission organization chart (see Annex F-1), ZAMS is directly overseen by a Project Implementation Officer (PIO) who reports to the General Development Officer (GDO), who has also been very active in the oversight of ZAMS II and the intellectual preparations for ZAMS III.

ZAMS' implementation is carried out through eight currently active agreements (including two amendments) with five organizations. These agreements between USAID/Zambia and the five agencies are constituted by a mix of contracts, cooperative agreements and grants; these being denominated in a combination of dollars and kwachas to the international contractors and as local currency agreements with the two Zambian organizations (see Annex D, ZAMS Project Contracts).

Formal project management is done through the Project Executive Committee (PEC), presided over by the MCTI's Director of Industry, which meets on a quarterly basis, the last meeting having been held in early June. Regular members are drawn from MCTI, USAID, MOF, MAFF, NCDP, ZAMS/RONCO, VITA, VIS, Africare, SIDO, and SEP. The principal duties of the PEC are to review (a) minutes of last PEC meeting, (b) ZAMS' planned next quarter activities, (c) ZAMS' immediate past period activities, (d) ZAMS' quarterly financial reports, (e) approve annual and revised budgets and work plans, (f) approve Project modifications, and (g) facilitate involvement of new parties in project implementation.

A Training Committee is chaired by the PIO who also maintains good liaison with ministries, autonomous institutions, development agencies, and the like on behalf of ZAMS.

A sum of \$1 million was retained under ZAMS II as foreign exchange anticipated to be needed primarily for equipment and spares related to the principal activities in maize hammermills and small-scale oil expelling. This has not been tapped to date.

RONCO was the primary implementing contractor under the original ZAMS design and headed a project coordinating committee known as the Agricultural Marketing Advisory Committee (AMAG). As altered in the PP Supplement of February 1991 (that is, ZAMS II), RONCO became a co-implementor with VITA and Africare and the participation of VIS and SIDO. However, ZAMS/RONCO retained the responsibilities to coordinate and facilitate the Project and its parts, and to manage overall Project monitoring & evaluation for submission to the MCTI and USAID. ZAMS/RONCO's performance in these roles will be evaluated in section III.B.2., while the effectiveness of the mechanism itself within overall project management will be assessed hereunder. (The project organization as reviewed above is depicted in Annex F-2)

Looked at in the abstract, this overall organizational and management framework presents some apparent operational difficulties: USAID/Zambia is directly managing a coalition of components and implementors through a series of agreements. The lack of a prime contractor with primary implementation responsibility could lend itself to the fragmentation of ZAMS rather than to coherent project development. To counter this eventuality, ZAMS/RONCO has been made the coordinator and facilitator so as to keep the diverse parts cohesive and present a common face. The relationship dynamics of being "the first amongst equals" are that it becomes a balancing act to keep everybody happy with carrots, having no stick for emergencies. Nevertheless, the Mission officers most involved are content with this modus operandi (though it requires extra efforts on their parts), and RONCO is willing and able to play the required role. Furthermore, a team building workshop was held in April, and the transcript indicates it was a valuable exercise.

The dissolution of the AMAG appears to have left a void in project implementation planning and review. The Mission GDO has suggested the formation of a Project Implementation Committee (PIC) which would meet on a monthly basis and be composed of the GDO, the PIO, the COPs of the implementing agencies, and specially invited people involved in specific subproject planning and execution. The primary purposes of the PIC would be to enhance the quality of activities, maintain Project coherency and cohesion, keep each part informed of the whole, and arrive at the PEC with more developed criteria on planned actions.

Recommendations emanating from the findings:

- * That upper level organization, management, and Project quality be fortified by the constitution of a Project Implementation Committee (PIC);
- * That the depth and quality of matters brought before the Project Executive Committee (PEC) be strengthened by preparation in the PIC.
- * That the "management by coalition" and coordination by a co-implementor method that the Mission utilizes for ZAMS II (and wishes to continue using in ZAMS III) be reinforced for Project coherency and implementor cohesion by (a) the establishment of the PIC, (b) holding an annual workshop of co-implementors,

Mission and MCTI officials, in which team building is a key theme; and (c) sharing, if possible, common offices under ZAMS III.

2. Ministry of Commerce, Trade and Industry (MCTI)

The Scope of Work (SOW) for this assignment specified that the evaluation team make an institutional analysis of the MCTI's Industrial Planning Unit (IPU) and recommend manners in which USAID might be of assistance to the IPU to meet its objectives. However, in the interim between the Mission's preparation of the SOW and the arrival of the team in Zambia, the IPU was disbanded. In fact, the MCTI is undergoing a major reorganization to be able to conform to structural adjustment and provide leadership in the transformation of the economy from being a state-dominated one to one propelled by the private sector.

Under the internally issued "Ministry Re-organization Technical Co-operation" dated March, it is not clear what line and staff relations are proposed that ZAMS have with the Department of Industry, the Department of Commerce and Trade, and the Department of Planning and Research. It is clear, however, that the MCTI wants material and human assistance. It is also clear that ZAMS can play a key supportive role to the MCTI in the reconversion process of the economy. ZAMS III will have direct and linked participation roles in trade and commercial policy, sector studies, market and marketing systems' improvements, private agribusiness development, investment, privatization, export, small-scale rural enterprise, food security, and more.

Recommendation:

* Given the all-encompassing scope of the current MCTI reorganization, it is beyond the range and time frame of this consultancy to advise on the realignment of the ZAMS-MCTI relationship, except to counsel USAID and ZAMS/RONCO to confer and collaborate closely and soon with the Ministry so that ZAMS will be positioned to lend the critical assistance it will be capable of under ZAMS III.

3. The Logical Framework

The ZAMS II logical framework, or logframe, is presented as Annex E-1. Annex E-2 is a "reverse logframe," that is, a logframe of actual versus projected performance. It needs to be considered that the results represent only 50% of the project period elapsed. Results and impacts attributed to the individual implementing organizations are reviewed within their subsections below. A revised logframe has not been drawn up for this document, but will be included with the ZAMS III PP Supplement.

B. ZAMS/RONCO PERFORMANCE

RONCO signed a \$3.8 million contract with USAID/Zambia on September 24, 1989 with an expiration date of September 30, 1993. The amount remaining on this contract is \$1.9 million. Additionally, a local currency grant of K46.7 million expiring on December 31, 1992 has K28.8 (\$144,000 at the current exchange) remaining.

1. Organization and Management

After the dissolution of the AMAG and RONCO's repositioning from primary to joint implementor, the office run by RONCO became known as ZAMS. This can be somewhat confusing as it is not the whole of ZAMS nor the hierarchical implementing pinnacle. The name ZAMS/RONCO is clearer.

The number of employees in the ZAMS/RONCO office (see organizational chart Annex F-3) is 16 of which 2 are on secondment from the ministries and two are expatriates. Additionally, one employee is on loan to VIS as it Hammermill Programme Coordinator.

ZAMS/RONCO does face a constraint in attracting senior personnel in that it is tied to a Mission local employee remuneration policy. The difficulty is not the salary levels, but the housing support clause, or rather the prohibition to offer housing. Therefore, ZAMS/RONCO has to search out its senior staff either on secondment (whereby they retain government-supplied housing) or from a situation in which the spouse's employment provides the housing. It appears, however, that the new GRZ is changing the policy of government providing housing to employees.

The COP is an expatriate who arrived in early 1991. He is also designated to double as the Small Enterprise Advisor. At the next level of management are the Management & Training Officer, the Accountant, and the Agricultural Engineer; the first two Zambians and the latter an expatriate who arrived on assignment in late 1989.

Recommendations:

* That the RONCO-managed office change its name from ZAMS (which appears on its letterhead and by which it is referred to) to ZAMS/RONCO or another name of its choice to avoid its being perceived to be the entire project.

* That USAID review the policy of ZAMS' obligations for the hiring of the local staff being the same as USAID's.

2. Roles and Responsibilities

ZAMS/RONCO's technical assistance roles according to the PP supplement are (a) Project Coordination and Facilitation, (b) Monitoring & Evaluation, (c) Training, (d) Agricultural Engineering, and (e) Small Business Development. The PP Supplement prescribes that technical assistance (TA) be the "main thrust of the Project." The TA referred to is both that of the participating NGOs in rural hammermill and oil press applications, and that of ZAMS/RONCO directly to NGOs and clients, such as agro-agro-equipment manufacturers.

Studies and investigations (see list under III.3., page 27) have been dispersed amongst the five TA categories listed above as ZAMS/RONCO major roles; however, they are a COP responsibility. Taken collectively, Studies & Investigations has been a field where ZAMS/RONCO is showing itself to be of particular value to the business development community, mainly in the areas of rural grain milling and oil seed expelling to date. This has been identified as an area in which ZAMS/RONCO should expand and refine its efforts to achieve telling, catalytic influence in this time of significant policy and business environment transformation when effects, opportunities, and facilitating strategies must be clearly investigated, analyzed and disseminated. (See Annex I, p.12)

a. Project Coordination and Facilitation

Overall coordination and facilitation of the ZAMS Project falls principally on the shoulders of the Chief of Party; however, exercise of this role involves all the ZAMS/RONCO staff and relates to virtually all ZAMS/RONCO activities. In this capacity, the more frequent duties the COP must attend to are:

- * Preparation of activities reports
- * Secretariat for PEC quarterly meetings (setting agendas and materials preparations)
- * Member of OILS Liaison Service (OILS) Executive Committee
- * Member of OILS Processor Committee
- * Principal liaison with USAID as small business resource person
- * Meetings with co-implementors
- * Act as the ZAMS' contact for new activities' developments
- * Preparations of materials and agenda for Monthly Hammermill Committee
- * Compilation and review of global Project Monitoring & Evaluation
- * Dissemination of ZAMS' collected information
- * Organization of team-building workshop
- * Management and planning of RONCO activities to ensure coordination, cooperation and facilitation

USAID and MCTI officials interviewed expressed that they are content with the performance that ZAMS/RONCO is showing in project coordination and facilitation.

b. Monitoring & Evaluation (M&E)

Monitoring & Evaluation in ZAMS/RONCO is at two levels: (a) Project-wide and (b) internal.

A RONCO consultancy from late-March to late-May 1991 resulted in "The Design of a Monitoring and Evaluation System for the Zambia Agribusiness and Management Support (ZAMS) Project," a Lusaka workshop for the concerned parties, and field training in application of the hammermill questionnaires. Since then ZAMS/RONCO has worked with VIS and SIDO on this and Africare on oilseed press monitoring. Collaborating NGOs profess to find the methodology usable and useful.

M&E data collected and tabulated from quarterly forms, mapping, field trips, baseline work, and the like is shared widely with manufacturers, hammermill providers, development agencies, ministries, ZATPID and co-implementors. The compiled information is applied to the National Hammermill Program Monitoring & Evaluation Report. This report tracks mill distribution status, employment, training, technical status and loan repayment. Though meant to be quarterly, only one issue (July-September 1991) has been prepared to date.

These forms do "oblige" VIS and SIDO field people to visit and interview clients; however, now that the forms have been in use for a year, it would be advisable for ZAMS to host a one-day workshop to redefine the objectives of the exercise, determine if the current forms and data collection process fulfill them, and make necessary alterations.

Using data retrieved through the M&E process and specific consultancies, a Hammermill Baseline Study is being compiled by ZAMS/RONCO. This embraces the specific duties assigned in the PP Supplement of monitoring and evaluating "(1) nutritional improvements in areas where food processing activities are supported, (2) the economic benefits of increased rural processing from the viewpoint of the consumer and (3) the economic viability of small rural processing enterprises." (Chapter IV of this report analyzes those specific questions, while this subsection addresses the ZAMS/RONCO handling of the M&E role.) Initial data collection was carried out in December 1991 and January 1992, and an interim, provisional report was issued. Phase two of data collection is scheduled for July/August.

In carrying out these exercises, ZAMS/RONCO has been mapping the placement of all rural hammermills in the country. This effort, together with the M&E reports and the baseline studies, is yielding important data for the next phase in ZAMS III of a "Hammermill Sustainability Programme."

Through M&E relationships with Africare, ZAMS/RONCO has taken collaborative action in identifying problems, testing equipment, carrying out an oilseed processing study, facilitating new seed variety registration, etc. In further preparation of expansion of the oilseeds pressing component of ZAMS, baseline data collecting is to start in July.

The basic internal monitoring instrument used by ZAMS/RONCO is the submission of a monthly activities report by each unit (that is, Training & Management -

including M&E - and Engineering). This report lists previous month's activities and upcoming months activities. The COP prepares an overall monthly activities report that synthesizes these contributions and adds coordinating, studies, procurement and other Project activities.

Recommendation:

* That an evaluation of the M&E methodology, and in particular the objectives of information collecting, be carried out amongst the concerned parties. Given the coming changes in the ZAMS Project, it would be best to wait some six months to have the participation of new Project partners.

c. Training

Training as technical assistance has been an important activity in ZAMS II in the form of training-of-trainers (TOT) support to the participating NGOs VIS and SIDO. Curriculum areas have been technical (chiefly engine repair and maintenance) and business, and have had the purpose of making these NGOs competent in giving relevant training to their clients and service support people. ZAMS/RONCO has lent direct support to manuals preparations and course outlines, and logistical support to initial training efforts by VIS and SIDO.

Training in the modalities of the M&E data collection forms was given to Africare, SIDO, VIS, VITA, and the MCTI with the additional involvement of the Agricultural Engineer and the COP.

Some beneficiaries have been supported for third country short courses, as reported below in Quantitative Performance and Impacts.

The Training Manager also doubles as M&E Manager. With the large increase in training program needs under ZAMS III, more personnel will be needed to share the work, and splitting of departments or units may be in order.

d. Agricultural Engineering

Technical guidance of the hands-on type has been provided by the agricultural engineer in various forms and at various levels. He has worked directly on oil press research and development as well as in collaboration with engineering and testing entities. He has advised NGOs on technical aspects of agro-processing and worked directly with clients in the field. He has collaborated closely with the technical data collection and study requirements for the hammermill subproject.

e. Small Business Development

The government commitment to greatly reduce over-employment in the civil service and parastatals (see Chapter I.B.1.) has led to concern about the welfare of those people to be made redundant, many with considerable retirement funding. USAID and ZAMS speculated that many may be candidates to start agro-processing, agricultural trading, and other businesses in line with the Project goals and purposes. A quick survey of eighteen people (ten from parastatals, eight in the civil service) carried out by Dr. Joseph Temba in Lusaka gave very strong indications that this hypothesis is credible. Furthermore, with some 50,000 people (with an estimated 550,000 more people materially dependent on them) to be retired, being of assistance to just 1% (500 principals with 6,000 dependents) would be of important impact. Additionally, there will be many more aspirants to enter agro-related businesses in the coming years than just those being involuntarily retired.

In line with the above, RONCO has supplied a consultant team to prepare an initial twelve "investment packages" of feasible businesses to be prepared to support agribusiness start-ups and expansions in the evolving enabling business environment. While attuned to overall Zambian market demands, competition factors, and profit potential, these packages will have to be customized to the target markets and scale of application. Marketing of the packages can be done through the USAID HRDA project (probably augmented by business specialists hired for the travelling job fair), newspaper adverts, ZAMS' organized seminars, and the like. For this (and other types of advisory and training), the investors would be referred to deal with SIDO, VIS and/or the ZAMS III planned business advisory component. No doubt, some of the investments will be too large or sophisticated for small-scale business advisors to handle with adequate competence. In these cases, provision of assistance may be made directly by the ZAMS/RONCO team or through contracted consultants. At this time, inflation and credit are major constraints to new productive investments. RONCO has contracted a credit study to review current opportunities and to project planned business credit mechanisms for SSE.

Beyond this, enterprise development has not become a direct TA activity of ZAMS/RONCO. Nevertheless, enterprise development is at the base of ZAMS/RONCO activities such as (a) reorienting oil pressing to a business mentality from a community one, (b) identifying new business opportunities (sorghum dehulling, castor bean processing, light engineering agro-equipment supplying, etc.), and (c) targeting business-related elements in the M&E exercises.

The Chief of Party is assigned to act as the SSE Development Expert. This is not a realistic proposition, as his myriad of duties as COP leave him no time to personally hold a second major position. In ZAMS III this constraint should be addressed by those duties being developed in other fashions (see Chapter V. and Annex I).

3. Quantitative Performance and Impacts

As so many of ZAMS/RONCO's activities come under the guise of coordination, facilitation, initiation, crystallization, and the like; it is not an easy task to quantify

them and their impacts. The evaluator's observation is that ZAMS/RONCO has developed this delicate and sometimes apparently amorphous role quite well in the past year or so; however, related recommendations for ZAMS III (Chapter V. and Annex I), if followed, will leverage performance greatly.

* Studies carried out:

- "The Potential for Small Scale Oilseed Processing in Zambia"
- "Potential for Light Industry in Zambia with Particular Reference to Maize Milling and Oilseeds Sectors"
- "The Economies of the Hammermill Operation in Northern and Eastern Provinces of Zambia"
- "Baseline Study for the National Hammermill Program" (advance draft)
- "Team Building Workshop - Final Report" (Draft)
- "The Design of a Monitoring and Evaluation System for ZAMS"
- "The Africare Southern Province Oils Project: A Review"
- "ZAMS Transport Commodity Procurement Activity: An Evaluation" (draft)
- "Demand for Investment in Small Scale Businesses"

* Overall meeting/survey organization, coordination and facilitation:

- Mapping exercise of hammermills in the 9 provinces of the country.
- Extending hammermill mapping exercise to urban areas to assist in creating new business opportunities and cheaper mealie meal prices at consumer level, under the evolving "maize dynamics" in the post-command economy era.
- Cooperating with ZATPID on urban hammermill rationalization under new, liberalized regimen.
- Undertook mapping of oilseed presses in 3 provinces.
- Acts as secretariat for Project Executive Meeting (PEC), of which 3 held to date under ZAMS II.
- Initiation of MCTI Hammermill Meeting (monthly, 2 held to date).
- Helped establish Oilseed Liaison Service (OILS) and organized and facilitated OILS' meetings, computer access, agendas, etc.
- Assumed direct management of two subcontracts.

* Training/Workshops:

- Team Building Workshop (28 participants)
- VIS/SARO technical staff TOT (11 participants)
- ZAMS Monitoring & Evaluation Workshop
- SIDO technical staff Hammermill Refresher Course (11 participants)
- SIDO technical staff Training-of-Trainers (11 SIDO plus 11 SIDO clients)
- SIDO Regional Manager TOT (9 participants)
- Sponsored 11 participants for third-country and 3 for U.S. short term training

* Engineering Technical Assistance:

- Imported Tanzanian oilseed ram presses and demonstrated them to local manufacturers and development organizations as well as testing them with local seed varieties.

- Fostered direct cooperation through SIDO, MAFF, MCTI staff involvement in subprojects, mapping, studies, and training.
- Encourages blended (improved protein) maize-soya meal to be promoted by private enterprise.
- Facilitates GRZ approval of appropriate sunflower seed for small-scale processors.
- Facilities donor support for oilseed sectors, ie. SIDA for seed production and the PTA for research staff support.
- Discusses soybean processing at hammermill sites as part of improved nutrition program (with CARE/Canada).
- Providing first accurate picture of nation-wide hammermill situation and developing sustainability approach.
- Assisting SIDO to identify problem areas of loan repayment.
- Identifying business opportunities in food processing for both equipment manufacturers and small business people, particularly current hammermill owners.
- Designed oilseed extracting spindle press and demonstrated to manufacturers. (Evaluators visited one in Kabwe who is starting production.)
- Identified sesame seed and castor seed as viable oils growth areas.
- Carried out field demonstrations of different sunflower seed varieties to promote awareness of benefits of using appropriate ones.
- Collaborated with VITA in identifying problems with hammermill equipment and installations, safety and preventative maintenance issues, etc. and in resolving same (with manufacturers, in shed design, etc.)

C. VITA/VIS PERFORMANCE

Village Industry Services (VIS) was founded in 1976 by a directive of then President Kaunda for the purpose of assisting rural and peri-urban people to succeed in income generation projects, particularly on the micro scale. It is now converting into an autonomous NGO under the supervision of the MCTI. It has branches in the nine provinces and industrial incubator estates in Chinika (periphery of Lusaka), Mansa (Luapula Province) and Livingston (Southern Province). The Chinika facility has a training center and a business center with a variety of services.

In mid-1989 VIS received a local currency agreement (LCA) grant of K8.8 million from the A.I.D. Mission under the ZAMS Project for the purpose of institutional development. This was subsequently amended to increase by K27.9 million and expire on September 30, 1992. K8.3 million should be remaining, but VIS has pre-spent it.

The American PVO Volunteers In Technical Assistance (VITA) first started assisting VIS in 1986 with the establishment of extension services and client advisory in food processing. In August 1989 USAID/Zambia signed a grant with VITA for \$166,470 to support VIS in its institutional strengthening activities. This grant was increased by \$189,217 and the contract expiration date set at August 1990. All funds were used.

In 1990 the GRZ announced the National Hammermill Programme (NHP) and the intention to distribute a large number of maize-grinding mills into the rural sector. The declared purposes of the NHP were to reduce transport of maize into the mills and return transport back to villages. It is understood that the program would also better the life of rural women by placing milling services closer to their home places, thereby (a) saving them from the arduous and time-consuming work of pounding or hand-grinding the maize to flour, and/or (b) making walking distances shorter for carrying grain to be milled and the flour, or mealie meal, back home.

VIS and the parastatal SIDO (See Chapter III.E.) were designated by the GRZ as the principal implementors of the NHP. VIS was given government loans of K63 million at 5% p.a. interest and the mandate to buy and place 220 mills in private hands in rural areas. This was well beyond the institutional and material capacity of VIS. However, behind the NHP was political pressure to speed along implementation, as the "agenda" was to win rural voters to UNIP.

As the refocusing exercise of ZAMS was underway in late 1990, it was seen that Project support of the NHP was consistent with ZAMS' goal, purpose, and strategy (See prior analyses in Chapter II.B). Therefore, the following new agreements were made between USAID/Zambia and VITA and VIS:

* A cooperative agreement with VITA for \$508,817, later increased by \$107,183 to cover the period 2/91-2/93 and to give direct support to the hammermill project via an expatriate technical advisor, and local staff and material support. As of June 1992 \$434,621 remained.

* A cooperative agreement with VITA for \$532,000 for the period 9/91-9/93 to continue to provide institutional strengthening support, with emphasis on financial management.

* A LCA grant to VIS for K79.2 million for the period 1/91-12/92 for the carrying out of the hammermill support programme. As of early June 1992 K36.3 million remained.

1. Organization and Management

The two VITA technical assistance expatriates have their office in the VIS Lusaka headquarters.

VIS has 107 employees plus the services of the two VITA employees and a Hammermill Programme Coordinator on loan from ZAMS/RONCO.

In terms of the overall organization and management of VIS, the VITA senior advisor's February 1992 Institutional Strengthening Report shows clearly that - even after the heavy assistance inputs over a long period - a great deal remains to be accomplished for VIS to be considered a stable, efficient, financially transparent institution. With five months remaining on the VIS agreement and over a year for the VITA institutional strengthening one, there is a need for a clear action plan and setting of dates for benchmark achievements (functioning board of directors, clarification of executive roles, completion of books' updating, reconciliation of

accounts, clarification of GRZ-seconded employees' status, full external audit completed, etc.) to guide A.I.D. and other donors on decisions for further support of VIS. If the organization is not tightened up, motivated, and "defogged" in its financial and accountancy aspects, then further material support may be futile. However, if VIS proves to be adequate in these regards, it will certainly be a useful vehicle for Zambian SSE development, particularly due to its training and outreach capacities. No doubt, the built-up VIS institutional capacity to cope with the NHP mandate will require continued external core support, and this needs to be projected for the post current agreements period too.

Recommendations:

1. That VIS undergo a full external audit to assess its financial and accounting status and inadequacies as a prerequisite to considering further support.
2. That VITA/USAID work out an action plan with VIS management that includes agreed-upon benchmarks and time limits to achieve them as a prerequisite to considering further support.
3. That VITA and VIS project the coming financial and material needs of VIS in support of elements/activities congenial to the recommended thrust of ZAMS III (see Chapter V. and Annex I).

2. Roles and Responsibilities

The collaborative roles of VITA and VIS under ZAMS' financing have been institutional strengthening and coordination of the hammermill program. The agreement cites the institutional strengthening advisor as the COP and as having responsibilities in the overall supervision of the VITA roles.

a. Institutional Strengthening

VITA has been interactive with VIS in this role predating the A.I.D. support that started in 1989. There is a general consensus that the greatest success of these efforts is seen in the Training Department. The prior advisor specialized in this area and in manager recruitment/training. The current advisor has occupied the post since the start of 1992.

The principal areas in which advisory collaboration is carried out are (a) planning and monitoring, (b) donor relations, (c) services' marketing, and (d) accounting and administrative procedures.

A great deal of work has been put in on the VIS Five Year Plan. Concentration would be well-put on medium and short term action plans at this point. There has been, however, a rather unclear accounting panorama, including the disappearance of the society's books for an entire year. More direct involvement on the part of the

VITA senior advisor is warranted. It is to be recognized that two accountants have died on the job and another has been detained (for reasons predating his VIS work) in the past six months or so, placing a damper on the progress of putting the accounts right, but at the same time justifying more intensive direct inputs by the advisor.

b. Hammermill Program

It was clear that as packaged by the GRZ, the NHP did not take into account the support necessary to ensure maximum sustainability of the mills to be placed in the rural areas. Therefore, the PP Supplement called for ZAMS "to provide technical and financial assistance to VIS over a two year period to develop and implement an intensive support system to targeted hammermill operators" under the supervisory monitoring of the VITA field advisor and a VIS hammermill program coordinator. The PP Supplement was quite detailed about the methodology and inputs expected, right down to prescribing "four trips per year to each mill to review mechanical operations and enterprise growth and development." The outputs were not so meticulously described except that "approximately 200 VIS clients will be given technical training in the operation of hammermills and business training designed to encourage a viable village-based, small scale milling industry." A review of these inputs and outputs projected versus those achieved two-thirds of the way through the period appear below under "Performance and Impacts." The VITA advisor has done a good support and monitoring job, going beyond his obligations by attempting to "rationalize" the sales of hammermills (feasibility studies, coordinate VIS and SIDO sales not to overlap), convene organizational meetings, plan rural workshops, assist in training materials production, etc.

The subproject design required spare parts to be imported by VIS and made available to hammermill owners. Kolaskar engine maintenance and wear parts have been brought in for this purpose. However, the intention to encourage local manufacture of these spare parts is not practical due to limited market size and precision tolerances required.

The PP Supplement calls for VIS to "establish centralized workshops for maintenance and repair of hammermills" in five provinces. "These central service workshops will contain a training center where training of the owner/operators will take place and a precision tool room where repairs, maintenance, and fabrication of simple spares will be undertaken. These centers will also serve as a distribution center for spare parts. Services will be sold to clients on a full cost basis. The service centers should eventually convert to non-VIS private entrepreneurial operations."

VIS has acquired three locales in Choma (Southern Province), Chipata (Eastern Province) and Mansa (Luapula Province). The buildings at the latter is ready and the penultimate 60% finished, while no construction or refurbishment has taken place at the Choma site. Even though VIS has already incurred costs, however, subsequent to a January internal financial review and a June USAID assessment, the Mission requires a complete audit before releasing funds. Likewise, detailed plans, rationale, and cost/income projections for the equipping and running of these

centers is required but not yet received in an acceptable form. The evaluators also requested this information from VIS upon arrival, to no avail.

This matter requires urgent attention as: (a) VIS has large debts to pay for work done to renovate the workshops, (b) the running of these centers will probably result in long-term recurrent expenses above what income can be expected, and (c) the running of a repair shop by an NGO may not be a realistic proposition, even if the intention is to eventually convert the operation to private enterprise. Furthermore, the use of these locales should be integrated into the overall Hammermill Sustainability Programme (see Chapters IV, V and Annex I).

Recommendation:

* That a commission be formed quickly for the rationalization of uses of the two centers (suspending Choma for now) in accordance with the Hammermill Sustainability Programme coming under ZAMS III. Detailed cost and financial projections should also be a product of the group. Legal ownership covenant is also an issue as the PP Supplement calls for the locations to eventually pass into private enterprise control. Given the intent that the workshops serve clients of many agencies, the commission may be composed of representatives from VIS, VITA, USAID, MCTI, RONCO, SIDO, Africare, Cooperatives, etc. but have a smaller action committee to speed resolution of the matter.

3. Performance and Impacts

a. Institutional Strengthening

Major outputs produced to date have been:

- * Direct personal efforts by the advisor at all management levels and the arrangement of workshops co-run by ZIMCO Institute of Management have laid the foundation for the completion of a VIS Five Year Plan which is now in draft form.
- * Advisor has assisted VIS to identify potential donors, create an action plan for approaching them, make effective presentations, and integrate itself to the NGO community.
- * VIS client services and fees have been studied and tentatively set.
- * Revolving fund and internal credit systems have been prepared.
- * Realizable income generation activities have been identified.
- * Resolution of accounting weaknesses continues.
- * Development of policies and procedures manual started.

b. Hammermill Program

Major outputs produced to date have been:

- * An "objectivity scale" for client selection to buy mills based on viability (maize production/availability, level of competition, access to fuel, management capability). Limited success due to local managers continuing to often make sales decisions based on family, friends, and politics. Intentions to coordinate VIS and SIDO to avoid over-saturation of markets also met with limited success for these reasons.
- * Establishment of procedures for purchase applications, conditions, etc.
- * New design of shelters for better air circulation to protect engine and workers.
- * Identification of design changes needed for mills (e.g. frame) and Kolaskar engines (e.g. bearing seals).
- * Production of a technical manual for mill and Kolaskar engines.
- * VITA 6-week consultant visit to collaborate with training curriculum and manuals development.
- * Specification of policy for repossession, depreciation, rehabilitation, resale of hammermills.
- * Put receivables, standard loan ledger card for branches, cash flow formats, breakeven analysis, and sensitivity analysis in lotus.
- * Debt recovery by province is "only" 18-30% in arrears as opposed to some 50-60% for SIDO which does not have direct donor assistance. (Consideration of drought as a constraint to repayment levels must be taken into account: VIS has extended period by one year.)
- * Technical training provided to 170 operators.
- * Ten lessons based on the ILO Increase Your Business made hammermill-specific. First classes awaiting AID funds to start.
- * Spare parts inventory and distribution systems set-up.
- * Design of rehabilitation of Chipata and Mansa workshops bid out, contracted, progress evaluated, etc.
- * Monitoring & Evaluation intake forms and data-base developed and put into use.

D. AFRICARE PERFORMANCE

Africare, an American NGO, has been active in Zambia in social and economic projects for fourteen years. In June 1989 it submitted a proposal to A.I.D. for financial support of a village-based edible oil pressing project. It was not until June 1990 that the Mission approved a cooperative agreement under ZAMS with an expiration date of June 30, 1992. The amount, as amended, was for \$100,000. Additionally, a kwacha LCA for K4,680,000 was signed in March 1991. Terms included reimbursement of certain project expenses from June 1989.

The intentions of the project (to become known as the Southern Province Oilseed Project - SPOP) were to (a) increase the availability of cooking oil to the rural areas, (b) diversify income generating activities in rural areas through the introduction of the modified Bielenberg press, (c) train operators in business management, expeller maintenance and improved sunflower and groundnut agronomy; and (d) decentralize composite and hybrid sunflower seed production by supporting district level seed bulking plots.

In 1988 Africare brought two modified Bielenberg hand-operated ram presses from Tanzania to Zambia for testing. Finding the local sunflower seeds too hard-shelled and wearing on the machine, Africare worked with TDAU of the University of Zambia on machine modification to work with Zambian seeds and improved hybrid and composite varieties.

1. Organization and Management

The Africare Zambia management team is composed of:

- * Resident Representative. Responsible for overall programme and financial management.
- * Agribusiness Training Officer (ATO). Assists in the training of clients involved with income-generating activities. Training involves technical and financial management.
- * Field Officer. Backstops Res Rep with project work. Makes frequent field visits to monitor progress.
- * Administrative Secretary. Assists Res Rep. in preparing financial records, procurement, tracking expenditures.

These four officers oversee twenty development projects in Zambia.

The organization was to have been larger and have specific people for the oils project; however, the project was scaled back due to difficulties, the major ones being (a) problems with the mechanical technology, (b) problems with seed technology, (c) long delays in Mission funding transfers, (d) supervision,

extension, and training inadequacies, (e) low effectiveness of women's groups for business undertakings, and (f) Lima Bank loans for fertilizer for sunflower seed growing (but sometimes diverted to use for maize) unable to be repaid due to the drought.

In retrospect, one can say that Africare went into the project with inadequate project preparation and specific expertise, and that on top of that it experienced a series of misfortunes. What has come of this hard experience, however, has been an amassing of practical knowledge and lessons learned (see "Performance and Impacts" below) that will help a wider-implemented small-scale oils project succeed. The basis and need for an expanded project that fits ZAMS' objectives have been proven (see Chapter IV.B.). It is now apparent that an organization of demonstrated success in small-scale oil technology should head this ZAMS' subproject. Certainly, there is an important place for Africare to continue participating, based on experience gained and being "in place" to continue. (See Annex I.)

In July of 1991 an in-depth evaluation of SPOP was carried out by a team including members from the Ministry of Commerce and Industry, USAID/Zambia, Africare, TDAU, and ZAMS/RONCO. Those difficulties and inadequacies cited above, and others, were analyzed in detail. The overall recommendation was to view SPOP as a pilot project.

2. Roles and Responsibilities

Africare was to manage the small-scale oils project in Southern and Eastern Provinces, placing 25 Bielenbergs in the former and 75 in the latter. The Eastern Province was subsequently excluded and the number of oil-exPELLing enterprises for Southern Province lowered to 21. Women's groups were to be the beneficiaries. Through current staff and a new program coordinator and regional managers, Africare would place the oil presses, train operators (in operation, maintenance, business management, and improved sunflower agronomy), assist in marketing of the oilseed cake, and support district level seed bulking plot development.

Fourteen modified presses were placed in Southern Province, but have been so breakdown prone, that the project has not progressed beyond that in terms of equipment placement. As well as not being up to the job, these presses were quite expensive (about \$1,000) for village applications. Extensive testing has been done on alternate models through both Africare and ZAMS/RONCO, and this time a cautious approach is being taken to placing units out in large numbers. When the Project is confident that tested models will perform well, they will replace the original ram presses. The "odds on" favorite is the CAMARTEC, a scaled down ram press which should cost under \$150 and press the same amount of seed as the Bielenberg.

3. Performance and Impacts

The impacts of this experience have been lessons learned and expanded knowledge as evidenced by the following:

- * The SPOP aroused wide-spread interest and facilitated realization of true need and potential for oilseed pressing activities.
- * The program has prepared Africare to become an effective implementor under an expansion of the component.
- * Progress has been made on registration of an optimum seed variety.
- * On average more than 500 liters monthly were produced among the 14 SPOP groups over a 7 month period.
- * On average, K51,000 was the gross return from these enterprises.
- * Many Southern Province farmers are interested in buying oil presses.
- * Commercial manufacturers such as Gameco and Kaleya are producing presses.
- * More than 300 women and men have been given business and technical training under the SPOP.
- * MAFF agriculture staff have also been trained and are better prepared to help in the extension of this project.
- * Local nutritional status has improved through increased consumption of oil.

E. SIDO PERFORMANCE

The Small Industry Development Organization (SIDO) is a parastatal organization, under the direction of the MCTI, created in 1981. Its charter is to (a) formulate, coordinate, and implement national policies and programs relating to small enterprises; (b) carry out research; (c) provide and assist entrepreneurs and employees with training; (d) promote investment, (e) assist small businesses to procure equipment and materials; and (f) assist in the development of industrial estates and common facility centers.

The SIDO-ZAMS relationship has not been as close as had been envisioned by ZAMS. While SIDO has been regularly invited to events and been consulted by ZAMS via RONCO and the USAID Mission, it was not eager for heavy collaboration. However, a one year local currency agreement grant for K21.6 million (some \$100 thousand currently) was signed in December 1991 in support of SIDO's hammermill program. SIDO has been the largest implementor of the National Hammermill Programme (NHP) in terms of mills placed to date, some 1,300.

SIDO has a large tannery in Kabwe, which is out of character to its role as a small industry facilitator. This tannery only exports wet blues, though the intention had been for it to produce finished leather. The tannery is slated for privatization.

The future of SIDO under MMD is now under consideration. Transformation is to be expected, but given the lack of other nation-wide small business assistance organization besides it and VIS (which is more micro-supporting), SIDO should continue to play an important role.

1. Organization and Management

SIDO has some 225 employees, and is divided into departments for Project Development, Project Extension Services, Finance, and Personnel. It has branch offices in the nine provinces.

SIDO sees itself as a catalyst for the development of entrepreneurship and the creation of small businesses. It considers industrial estate establishment a current priority as there is insufficient space at too high rent levels to encourage small business start-ups.

SIDO manages GRZ loan and revolving funds (in addition to those for hammermills). Repayment rates are notoriously low; however, information is difficult to obtain, probably because it is not properly tracked.

2. Roles

The SIDO-USAID agreement under the ZAMS Project specifies that SIDO will utilize funding for training and vehicles (cars and motorcycles) to be used in provincial offices.

3. Performance and Impacts

The first set of training sessions and workshops took place at the University of Zambia (UNZA) Commonwealth Centre with the following outputs:

- * 11 hammermill operators trained in maintenance
- * 11 mechanics trained in maintenance and repairs
- * The 9 Regional Manager trained in business training
- * Vehicles have not yet been procured

IV. VIABILITY AND BENEFITS

A. RURAL HAMMERMILLS AND FOOD PROCESSING

1. Maize: Background

It wasn't until the 1920s that maize, an exotic from the Americas, started to be grown in a widespread fashion in Zambia, then Northern Rhodesia. Good markets were available at the expanding mine and urban areas. Maize was on its way to becoming a dietary staple in those locations; from that time until after independence in 1963, mine workers were supplied rations of maize and beans as part of their contracts. In the rural areas, away from the north-south "line of rail," the principal food crops continued to be the traditional sorghum, cassava, beans and millet. However, after independence the government exercised more direct control over agriculture through its boards, price settings of crops, and later fixing of input prices. Subsidies followed. Keeping food inexpensive for the urban dwellers became the policy, and maize meal was already their staple. With the passage of time, the combination of price fixings and subsidies made it worthwhile for even rural people to sell all their maize and buy subsidized meal from the nearest town instead of retaining some grain for home consumption. The major repercussions were that (a) transport and milling subsidies increased, (b) smuggling of mealie meal out to neighboring countries went up to an estimated 20% of production, and (c) rural people moved away from production and consumption of their traditional grains. By the late 1980s this "cheap food" policy was costing the government \$200 million a year.

In 1989 the GRZ did away with all agricultural price fixings except for maize and fertilizers. Lessening of mealie meal subsidies made small farmer retention of maize for family use advantageous again, and rural service milling (that is, grinding of the client's own grain) regained demand. In 1990 the government announced the National Hammermill Programme (NHP) to place hundreds of diesel-run grinding mills in the rural sector. As reviewed in the Project Design chapter of this report, USAID and the ZAMS Project saw this as an opportunity to take advantage of the policy change in order to support private enterprise agribusiness growth. Subsequently, VIS has placed some 220 hammermills (see III.C.) and SIDO some 1,200 (see III.E.). Hundreds more have been placed by or through IFAD, ZCF, World Vision, and the Lima Bank; starting from 1985.

Events since the inception of the NHP have further altered Zambia's "maize dynamics," namely, (a) the new government is doing away with remaining maize/meal price fixings/subsidies and opening the country to free enterprise, and (b) the country is undergoing a serious drought, requiring the importation of two-thirds of the country's maize consumption requirements.

2. Economic and Social Benefits

Behind the past government's affirmed reason of launching the NHP in order to aid rural people economically, nutritional, and socially was the thinly veiled intention to win votes for the 1991 general elections. The government's virtual lack of provision of funds for the implementing agencies SIDO and VIS to provide training, provision for spares and repairs, and other means to promote sustained operation was a guarantee of poor long term performance.

ZAMS (via VITA and ZAMS/RONCO) entered with assistance aimed at converting the NHP to a full support program to assure the best possible survival rate and, therefore, fulfill the goals of improving rural people's quality of life, employment, and cost savings. Furthermore, ZAMS aimed to bring a sense of overall order and understanding to the NHP. As detailed in sections B., C., and D. of the previous chapter, this assistance has been delivered in a three-pronged approach: (a) through VIS with heavy human and material inputs, (b) through SIDO with training and transport assistance, and (c) through ZAMS/RONCO program-wide coordination, M&E, baseline studies, and mapping.

a. Impacts Under ZAMS II

The results of the two objectives of the ZAMS/RONCO baseline work to be examined in this subsection are:

1. to assess the impact of rural hammermills on nutritional status, and
2. to assess the socio-economic impacts on communities in mill vicinities.

The first phase of field work for the "Baseline Study for the National Hammermill Program" was done from November 29, 1991 through January 31, 1992. A total of some 1,000 interviews were carried out of which 250 were of mill owners or their operators. The balance were mill users and non-users. At this time (end-June 1992) only a preliminary report has been issued, and it does not present fine tabulation. A second field research phase (widening the geographical coverage) is taking place in July and August, so that the final sample will be a national one.

The principal before-and-after socio-economic impact areas that one would like to see are variances in jobs, human nutrition, consumer costs of mealie meal, animal feed production, client time savings and usage, costs of animal feed, grain planting, grain set-asides for family use, purchases of commercial mealie meal, new business in mill areas, and mill influence on information dissemination. While the baseline study should have been done before the NHP started mill distribution, the political "rush-rush" nature of the program dictated that the start of baseline information recompilation came later. Nevertheless, it appears that the baseline study commenced soon enough (just over a year) after mill distribution started to have justified the collection of concrete baseline data for the impact categories just referred to so as to have actual base figures to compare against in subsequent

surveys. Furthermore, the number of mills placed were still partial at the onset of the baseline survey; 500 out of 1,200 to date by SIDO and 72 out of 220 to date by VIS. Unfortunately, the preliminary report only indicates simple increase, decrease, or no change in some of these impact areas subsequent to the installation of a hammermill. Therefore, in this report changes can only be described in qualified terms. For subsequent return studies to build on the baseline data, specific, special occurrences (e.g. drought, connection to electricity, opening of a plant) could be factored in for their influences +/- on figures. Furthermore, it will be important to track the influence on changes that the freeing of maize (from price fixings, subsidies, and production and marketing state controls) will have over time. For instance, farm gate prices paid for maize grown near Lusaka and the Copperbelt cities or on the railway will be far higher than from other localities (possible an average one-third higher due to transport savings). As a result, these other localities will move towards crop and commercial activities that comparative advantages make viable rather than those that a controlled economy bent to be most advantageous.

Socio-economic impacts, as reported in the baseline study, are:

- * "...it is probably too early to expect hammermill program to have strong impact of any kind because the majority of hammermills are relatively new...there were, however, some signs of positive impact in some instances."
- * "...the data suggested that in some areas, installation of a hammermill resulted in increased number of meals consumed by households...(because)...mealie meal was more readily available than when it was hand milled. Also, women had more time to devote to cooking more meals per day."
- * Of the respondents 34.6% said new business activities had started after the mill was established.
- * 49% said local farmers were growing more crops since the advent of the hammermill.
- * Of owners/operators asked, 14.3% said they had employees who had undergone some training, mostly by ZCF and by VIS at that point.
- * 71% of women interviewed saved an hour or more a day from the installation of the hammermill, and 73% of those used the extra time on farming and garden work.
- * Of households responding, 40.2% reported storing more maize grain once mill was established, while 28.4% had no change, and 31.4% actually reported storing less.
- * Of households reporting, 22.2% answered that they bought less commercial mealie meal after the arrival of the hammermill.
- * Of these answering, 52.6% reported no change in types of relish (stew eaten with nshima) consumed, while 30.4% reported more types, and 17% less.

- * The survey indicated "...that a minimum working period of three years was required for a hammermill to have a detectable impact in the community."

Though the above indicators are of limited assistance in understanding the economic and social impacts, the evaluator reviewed the questionnaires used and determined that the relevant data would have been collected. Therefore, it is a matter of awaiting document publication, and of follow-up surveys to measure change over time.

b. Potential in the New Environment

The changes in maize-related policy from 1989 and in the creation of an overall pro-private sector direction starting in November of 1991 will have weighty repercussions on socio-economic impacts to be felt by and through hammermills and other food processing endeavors.

Lusaka and the cities of the Copperbelt constitute 63% of maize consumption. With the previous regime of subsidized transport, farm gate prices paid were uniform, so much of the supply came from areas far from these areas. Without subsidized transport, farm gate prices for maize grown close to the cities and on the line of rail will be superior. Maize from away from the line of rail will only fetch 60-75% as much. The trend will be for maize plantings to increase close in and to stabilize in non line of rail rural areas. The World Bank estimates that a minimum of 14% consumer cost savings on roller meal for cities would take place as a result.

Maize growing in areas contiguous to provincial and district headquarters cities will also increase to cater to these markets and avoid lower farm gate prices.

Other off the line of rail rural areas will either reduce maize growing as a cash crop or increase exports to nearby Zaire, Malawi, or Mozambique. Rural hammermills will continue to do service milling, as it will be cost-advantageous for small farmers to set aside grain instead of buying the now unsubsidized commercial roller meal from towns. Rural hammermills should be able to increase their business by buying grain for commercial sales to be made to clients who expend all their set-aside grain in the months before taking in a new harvest, again to the cost benefit of local customers.

As well as these favorable economic benefits for rural hammermills and users, it can be expected that other food processing opportunities will develop. With the freeing of markets, farmers will mold their efforts to growing crops which offer true comparative advantages. This may mean, for instance, an increase in sorghum plantings in drought-prone areas. Much will depend on the evolution of market demands and subsequent price levels. While there may be a reversion toward eating traditional staples of millet, sorghum, beans, and cassava, it should be considered that maize nshima is more than a staple of Zambian diet; it is the overwhelmingly predominant basic foodstuff preferred and eaten. Maize plantings normally cover

some 70% of the total crop area of the country,⁶ and an early, notable expansion of national dietary habits shouldn't be expected to cause voluminous new product demands in the short term. Nevertheless, some rural consumer preference and factor sensitivity studies may be carried out to predict potential reconversion rates to traditional and/or comparative advantaged foods. Then, appropriate extension and marketing assistance may be planned to speed economically beneficial changes.

3. Economic and Financial Viability

a. The ZAMS II Experience

The economic and financial viability of rural hammermills during the National Hammermill Programme period of roughly early 1990 through May 1992 (encompassing the ZAMS II period starting April 1991) was subject to a determined set of "game rules." These were (a) maize dynamics, and (b) hammermill availability on soft loan conditions.

The price fixing levels and subsidies of maize were liberalized enough to make it more worthwhile for small farmers to retain a portion of their maize for service milling than to sell all and buy commercial mealie meal.

SIDO and VIS received 5% interest loans from the GRZ to implement the program, and they in turn put out the mills on hire-purchase to buyers for 20% down and 20% per annum interest (25% at VIS) with 24 monthly payments. VIS later went to 30% and 36 months. With annual inflation running beyond 100% and with rural maize-milling demand being increased by liberalization, buying a hammermill would have been an excellent proposition even if the purchaser had simply stored it to resell at a later time. Of course, to pay off the monthly charges and generate current profits, he (not many shes participating) would normally put the mill into operation.

The question asked is whether rural hammermilling was a viable economic activity during this period. The answer is "yes." Cash flows, breakeven analyses, and projected P&Ls showed that if a mill could attract enough regular clients (200 to 250 families) and charge enough per tin (of 15 kgs.), it is viable.

Whether a hammermill in a given rural setting will be economically feasible is another question. Amongst the factors to be considered in each case are gross population base within walking distance, existing competition, number of families to number of mills, fees charged by competition, proximity to town on electricity (as mills on electric motors can charge much lower service fees), amount of maize grown by inhabitants, ability of inhabitants to pay for milling, cost and logistics of diesel delivery, availability of spare parts, maintenance ability of owner/operator,

⁶ Source: "Evaluation of the Performance of Zambia's Maize Subsector." August 1990. The Maize Sector Study Team/ZATPID. Lusaka, Zambia. Page 1.

proximity of mechanics, will and financial capacity of owner to transport engine to Lusaka or Copperbelt city for major repairs, and business acumen of owner.

The "Baseline Study for the National Hammermill Program" has as two of its four objectives to:

1. determine the viability of hammermilling, and
2. identify factors contributing to relative success or failure of a hammermill business.

The preliminary report of this study, as already pointed out, has only provided indicators in a most general fashion. Some of these are:

- * "Supply of fuel and spare parts was not reason serious enough to put a hammermill out of business"
- * "The business environment for a hammermill is not as critical as reported by previous studies."
- * "There was sufficient raw material available especially during the surplus period."
- * "The survey revealed that there was little commercial milling and hence little grain was stored and sold to hammermill customers."
- * "Household were storing more grain for home consumption after the mill was established."
- * "It was the opinion of the team that management seemed to have a greater effect on success of the hammermill business."
- * "Data collected did not support the assumption that mills of absentee owners would have more problems than those of resident owners."

Clearly, these preliminary and interim observations are too general to be of much use, so the fully developed baseline study document and appendixes must be awaited for further insights.

b. In a Liberalized Regime

Ongoing monitoring and evaluation by ZAMS/RONCO includes a mapping exercise to determine the number of hammermills in the country. It is already concluded that there are many, many more than previously assumed. The preliminary opinion is that there are some 7,000 or so. It is believed that up to half are out of service. In the last two years some 2,500 of that 7,000 have been put in service through SIDO, VIS, cooperatives, IFAD/DEZ, World Vision, the Lima Bank, and through purely private purchases.

If there are some 3,500 rural hammermills in operation, and if prior calculations of served population/through-put (2,000/240,000 kgs.) for an average mill to be profitable are correct, then many more will fail if the engines are not used for additional applications (e.g. commercial milling, dehulling, stock feed processing, irrigation) and if price elasticity is not great enough to increase the service charges. The simple calculation to back this statement is that a rural population of 4,000,000 divided by a sustaining population base of 2,000 equals 2,000 hammermills.

Right now the country is suffering from drought, and two-thirds of the maize to be consumed is coming from international purchases and donors. With the southern half of the rural population having no maize of their own to bring for service milling, maize grain and maize flour will be transported out to them by the Ministry of Agriculture (MAFF), provincial/district agencies, donors, religious organizations, and cooperatives. Some will be donated to the young, old and destitute, and some will be sold. That which is brought out in grain form will be milled by the hammermills at a fee, thus helping them stay in business. Some hammermills will find credit to obtain grain themselves to grind and sell it commercially.

In the post-drought era and under the evolving policies and economics of Zambia, it is probable that the market will bear service charge increases beyond the inflation rate so that smaller client populations will sustain a hammermill, and that the mill engines can be put to additional gainful agribusiness uses.

The wider framework driving the maize dynamics now (aside from the drought conditions) are that price subsidies/fixing and state production/marketing domination are quickly evaporating. Overall liberalization and the government's private sector orientation will encourage the growth of private enterprise to fill the breach. The transition will not be quick nor painless, as (a) the internal human and monetary resources are inadequate, (b) the inflationary condition does not support capital financing projects, (c) consumer purchasing power is highly eroded, (d) the international recession does not support a strong investment climate, and (e) there is competition for investment money from scores of countries with newly liberalized economies.

As effects rural hammermills and food processing, the present impact of this restructuring is that their overall viability is strengthened because commercial mealie meal costs a great deal more. Therefore, rural people have more incentive to set aside their own grain for local milling and less incentive to either sell their maize or buy commercial roller. Depending on the difference of the spread (commercial price, plus transport and inconvenience costs to procure store-bought mealie meal versus milling cost, plus market price for maize or the difference +/- for an alternate cash crop grown), rural hammermill operators will be able to increase their service milling prices. Doing this, of course, is also tied to competition levels and in some cases village social pressure.

As planting of maize in large quantity is increased closer to the densely populated areas, demand and farm gate prices for rural/off the railway maize will decrease. Alternative crops and/or activities will be taken up in line with comparative advantages uncovered. As stated in the previous subsection, development projects such as ZAMS can help shorten the "discovery period" of specific agribusiness activities with comparative advantages, promote the introduction of them, and assist beneficiaries in technical ways to be successful in them.

In summary, rural hammermills will have increasing opportunities to survive and thrive because:

1. they will have more service milling business,
2. they will be able to charge higher service milling prices,
3. they will be able to increase their commercial milling during the maize pre-harvest months,
4. they will have a growing diversity of grains to grind, and
5. they will have other viable services to offer such as dehulling and stock feed grinding/blending.

Furthermore, many rural hammermill locales will attract new businesses and social assistance attentions to taken advantage of the "traffic."

It will be up to ZAMS/RONCO, and the Hammermill Sustainability Programme in particular, to determine how many rural hammermills will have the potential to continue in business in the coming years. Specific ZAMS III redesign recommendations in Chapter V. of this report and in the new PP Supplement address appropriate approaches to achieve increased hammermill and other food processing in rural sectors.

B. SMALL-SCALE OILSEED PROCESSING

1. Cooking Oils: Background

Crude vegetable oil for refining by the parastatals ROP and Premium worth some \$30 million is imported on an annual basis. While Zambia now produces only one-third of the oilseed for its 45,000 tons per annum oil demand, the country has the agricultural capacity to be readily self-sufficient in vegetable oil, or cooking oil as it is generally called in Zambia, and eventually to be an exporter. Sunflower and groundnut are the major oilseed crops. The country has the conditions to increase these and such alternatives as sesame, cotton, and soybean; though the latter two are not appropriate for small-scale oil production.

Cooking oil is the second most important staple in Zambia, after maize, and is a main source of calories. The deficit in rural areas is greatest due to the high cost of refined oil and distribution inadequacies.

Maize has been the king of Zambian small holder agriculture, and this position was reinforced through the 1980s as fixed prices and subsidies offset comparative advantages other crop-growing offered. Nationwide standardization of farmgate prices paid for maize (through transport subsidies) and for low mealie meal consumer prices charged (through milling and transport subsidies) was an important factor in a gradual shift from a 70/30 division of maize growing by commercial and small farmers, respectively, to a reverse of this ratio. Additionally, fixed consumer prices for oil depressed farm gate prices for oilseeds. Concurrently, incentives to export also induced the commercial farmers to move away from maize.

This being the situation, other crops - including sunflower seed, have been relegated to a low priority level by small farmers. Typically, sunflower will be planted a month late and not receive adequate or any fertilizer. This translates to a 30 percent or more reduction in oil content. In addition to this, the maize policy distortion meant that inadequate amounts of oilseed crops are planted as attention went to extending the maize acreage.

Great effort has gone into promoting oilseed production (particularly sunflower) and appropriate pressing technology from the eighties to now by the MAFF, IFAD, ZAMS, Africare and others. Due to diversion of farmer priorities by maize policies, these efforts have not been rewarded with the desired level of success. For instance, plantings of sunflower continued to be late and limited, and fertilizers loaned for sunflower cultivation were used for maize. Nevertheless, reforms in non-maize price fixings from the mid-eighties and in the maize policies starting in 1989, as well as the empirical need for cooking oil by rural peoples have set the stage for a take-off in both increase of oilseed plantings as cash crops and for manual oil expeller equipment demand.

Encouraged by the relaxation of fixed consumer prices on oils since the mid-1980s, small motorized oil expelling businesses have been proliferating in provincial and district H.Q. cities and towns. While market demand absorbs all the production quickly, major problems faced are: (a) lack/high cost of credit for business start-ups and expansion, (b) lack of imported spare parts needed (partly a forex constraint, partly lack of quantity of demand as incentive to dealers to import), (c) lack of local technical ability to repair machinery and rapid wear parts, (d) lack of raw materials, and (e) low quality of oil seed.

The subject of cooking oil must include oilseed cake supply and demand as an ingredient in poultry and animal feed. Oilseed cake is also in a deficit supply position, and figures into both the direct economics of small-scale oil processing and to the impact on animal nutrition.

2. Economic and Social Benefits

a. Impacts Under ZAMS II

The economic and social benefit impacts during the short life of ZAMS II are difficult to weigh concretely because (a) there has been no baseline study as of yet against which to compare, (b) the Africare subproject has been afflicted with technical and programmatic problems and now the drought, and (c) the ZAMS/RONCO inputs have largely been of types that set the foundation rather than produce immediately visible benefits.

Nevertheless, as reviewed in Chapter III., sections B. and D. of this report, the equipment and seed technology ground-setting accomplished by ZAMS/RONCO and Africare has been considerable. Testing and dissemination (among potential light industry producers) of appropriate equipment (ram and spindle) is advanced. Likewise, considerable headway has been made on seed testing and registration of

the best candidate ("Record" from Tanzania) in terms of oil content and thinness of hull.

Investigation done under ZAMS II (particularly The Potential for Small Scale Oilseed Processing in Zambia of late 1991) have shown that the following economic and social impacts will be considerable:

- * Economic Impacts
 - savings on oil
 - sales of oil
 - sales of sunflower seed
 - savings on animal feed
 - sales of oilseed cake
 - employment of press operators

- * Social Impacts
 - improved nutrition for humans
 - improved nutrition for animals and poultry

A baseline study in preparation for the greatly enhanced small-scale oilseed pressing component under ZAMS III is starting in July.

b. Potential in the New Environment

The economic and social impact potential of rural oilseed growing and processing in the evolving enabling environment of Zambia is great. With the anticipated shift of high-volume maize growing back to commercial farms as well as small holdings on the line of rail and immediate vicinities of urban areas, rural area farming will gravitate to a mix of crops and activities that comparative advantages dictate. Of course, a mystical force will not simply descend upon each area and indicate what the comparative advantages of each are. The mix of climate and soil conditions, infrastructure variables and costs, proximity to unsatisfied markets, demand volumes, skills capacities, technologies availability, land tenure conditions, local social conventions, and so forth will ordain what activities do have comparative advantages and to what margin. It is the job of the ministries and their support agencies (ie. ZAMS in the present instance) to evaluate the mix of factors for target beneficiary areas and then to assist them (directly and/or through information dissemination) to adopt those crops and activities most to their advantage. Parallel to this is the identification of factors that can be cost-effectively altered or inputed to create relative comparative advantages.

With specific reference to oilseeds, the facts that sunflower pressing has already been shown to be viable in Southern and Central Provinces and able to provide the economic and social benefits listed in the previous subsection go a long way toward justifying special assistance.

3. Economic and Financial Viability

a. The ZAMS II Experience

The evaluation of Africare's Southern Province Oil Project (SPOP) held in late 1991 showed that the net profits of the five active oil-pressing groups assisted for that year would vary from \$558 to \$2,328. However, if interest and principal payments had been met on the equipment purchase loans, resultant losses/profits would have varied from -\$412 to +\$1,358 per annum. One must take into account that (a) the presses were forever breaking down, (b) raw materials were not of the optimum type, and (c) these presses were with women's groups.

Conservative, hypothetical projections (see Annex G) showed that net profits before loan repayments should vary from \$3,500-\$5,000 per year and with loan interest and principal repayments deducted (for two years) from \$1,750-\$2,500. These numbers are based on one shift, a six-day week, and the extraction of eight to ten liters per 50 kg. bag of sunflower seed.

It is apparent that small-scale oilseed pressing is viable even under the adverse situations that have developed. Adding in the social and economic impacts listed in the previous subsection, and the widespread demand, the potential is great.

b. In a Liberalized Regime

The figures of the Africare experience were based on the modified Bielenberg ram press which cost about \$1,000 and on hard-hulled sunflower seeds yielding 18-22% oil. Subsequent to the time of those projections, the CAMARTEC small ram press with a similar pressing capacity has been perfected in Tanzania, and is expected to have a sales price of under \$150. Furthermore, the introduction of soft-hulled, oil-rich "black record" seeds offer the hope of extracting up to 35% oil. The effect is that net/net profit per press under the stated conditions would vary from \$5,250-\$7,500 or more. Furthermore, an ATI survey in Tanzania has shown that on the average presses owned by groups are used to produce less than 45% as much as those owned by individuals. In this case, net profits could run from \$12,000-\$17,000 per annum when run as a business by individuals.

Experience in small-scale rural oilseed pressing is also that owners will rent out their presses on a service basis in addition to doing their own pressing.

There is no doubt that free market conditions will encourage small scale pressing in measure to the socio-economic benefits and opportunity costs comparisons. If Zambia is successful in making the transition to a market economy under stable political conditions, the demand for these manual presses will decline over the long run as real incomes build, commercially produced oil becomes more affordable, and distribution systems are bettered. Nevertheless, this process will take a long time to accomplish, and in the meantime it will be an economically viable proposition of great and widespread impact.

V. SUMMARY OF RECOMMENDATIONS

This chapter presents a synopsis of recommendations. A more detailed version and an analysis of the context governing the recommendations appears in Annex I ("Analysis of Project Context and Recommendations for ZAMS III").

A. CURRENT CONTRACTS DECISIONS

1. VIS should undergo a full external audit to assess its financial and accounting status and inadequacies before USAID considers continued or further support.
2. As a further prerequisite, VITA, USAID, and VIS should work out an action plan of benchmark achievements and time limits for VIS, including (a) a functioning board of directors, (b) clarification of executive responsibilities, and (c) clarification of GRZ seconded employees' status and VIS NGO status.
3. VITA and VIS should project the coming financial and material needs of the latter organization.
4. With regard to the VIS workshop locales whose expenses are to be borne by USAID, a commission should be formed quickly to (a) rationalize uses of the two centers in advanced state of remodeling (dropping the Choma site from consideration for the present), (b) give detailed cost and financial projections, (c) incorporate coverage of ZAMS III hammermill sustainability program, (d) and establish a legal covenant to accomplish the eventual privatization of facilities.
5. It is advisable that the current contracts with VIS (subject to above recommendations) and SIDO be coordinated with the Hammermill Sustainability Programme (see E.7. below) and that loan repayment be a focal point.

B. ROLES, ORGANIZATION, AND MANAGEMENT

1. USAID and ZAMS should confer with the MCTI about key roles that ZAMS can play in Zambia's industrial and marketing reconversion process now that the MCTI is undergoing a major restructuring to become a guide and supervisor rather than a controller and operator. Of particular interest for ZAMS' interaction are the areas of trade and commercial policy, sector studies, market and marketing systems, private agribusiness development, investment promotion, privatization, export development, small-scale rural enterprise, and enhanced food security.
2. The dissolution of AMAG left a project planning and review void, and it is recommended that a Project Implementation Committee (PIC) be formed to meet monthly, chaired by USAID's GDO and attended by Project implementors and

relevant guests, for the purposes of (a) enhancing the quality of Project activities, (b) maintaining Project coherency and cohesion, (c) keeping each part informed of the whole, and (d) arriving at the (Project Executive Committee) PEC with more developed ideas and criteria for the planned actions.

3. The "management by coalition" with coordination and facilitation by a co-implementor method that the Mission utilizes requires reinforcement for Project coherency and implementor cohesion through (a) the establishment of the PIC, (b) the holding of an annual workshop of co-implementors, Mission and MCTI officials, in which team building is a key theme; and (c) the sharing, if possible, of common offices by international contractors involved.

C. PROJECT ENHANCEMENT: ZAMS III

1. The issuance of a new PP supplement is recommended because:
 - * With the change of government has come a favorable environment to re-expand the mandate to meet ZAMS' original objectives.
 - * Oilseed subsector studies and the Africare oil pilot project in Southern Province have shown that a major expansion and the inclusion of a highly experienced small scale oilseed processing contractor are justified.
 - * The inclusion of a contractor is recommended to promote business advisory services in order to support SSE start-ups and sustainability.
 - * The prime contractor should expand its staff, consultant availability, and equipment to cope with the increased demands and opportunities of the improving business environment.
 - * A five year period is needed to achieve telling and sustainable impact.
2. It is recommended to retain the ZAMS' original goal, purpose and rationale intact because they are valid for ZAMS III and in line with the objectives of the Mission's current Program Objective 'Tree.
3. It is recommended to make the ZAMS' III strategy: "to foster efficiency in agricultural marketing systems through private enterprise development and support and that the project components and activities be designed to concentrate on studies, interventions, training, resource support, and information dissemination that will initiate, transform, or fortify systems and businesses so that they may facilitate or enjoy profitability on a sustained basis."

D. THE PROJECT COMPONENTS & ACTIVITIES

Under ZAMS III most of the present components should be retained but be enhanced or altered to better fulfill Project objectives. New components or activities should be added to take advantage of the enabling environment and the original PP mandate. The mix of components and activities should be configured to carry out the Project's strategy and to be complementary inter-alia. It is recommended that Project implementation cover the wide angle (e.g. impacts of policy changes, comparative advantage studies, subsector analyses), systems (e.g. distribution analysis, market/marketing interventions, regulatory review), large applications (e.g. specific agro-export opportunities analyses), and the direct interventions at field level (e.g. oilseed processing, hammermill sustainability). All this should be supported and multiplied by training and by outreach advisory services, and facilitated and leveraged by coordination and information dissemination. An overview of the recommended make-up of components (described in detail in Annex I) is:

a. Overall Project Coordination and Facilitation (RONCO)

This is as much a role as a component. It would continue to be the RONCO role that permeates and propulses ZAMS as a cohesive project.

b. Monitoring & Evaluation (RONCO)

While each organization with a contract under ZAMS would be responsible for managing its own M&E, the ZAMS/RONCO office should continue to guide and synthesize all participants' information for use by the MOCTI and USAID/Zambia, and in general present a "common face." It is recommended that an evaluation of the M&E methodology, and in particular the objectives of information collecting, be carried out amongst the concerned parties. Given the expected changes in the ZAMS Project, it would be best to wait some six months to have the participation of new Project partners.

c. Studies and Investigations (RONCO)

A greatly enhanced studies role in ZAMS III is recommended so as to investigate, analyze and interpret the changes in dynamics as affect agriculture and agribusiness resulting from structural adjustment, new legislation, trade liberalization, institutional changes, shifts in economics' fundamentals, and other factors. ZATPID's strengths in policy and economic analyses aimed toward macro and sector/subsector-wide problem resolutions, and ZAMS/RONCO's orientation

toward facilitating specific marketing system and agro-processing improvements and private enterprise growth, indicate that a closer alliance between the two Projects on studies would yield valuable results at this juncture in Zambia's radical socio-economic transformation. It is recommended that USAID, the MCTI, the MAFF, the Ministry of Planning and National Development (MPND), and the two projects confer on what modalities the collaboration should adopt, and that these be incorporated in the ZAMS III design.

In addition to those consultants (local and expatriate) hired to participate in this level of studies and in department-specific applications (ie. Training, Marketing, Engineering), needs would no doubt arise for consultant services in special studies. Examples of this are the Investment Package consultancy which started in mid-June and the upcoming Credit Study.

d. Hammermill Sustainability Programme (RONCO)

This should be put on a finite time basis, probably as a three year program, aimed at ZAMS withdrawing when it has left in place mill operators with basic maintenance and business training, trained rural mechanics to do maintenance and simple repairs, private sector workshops for general repairs, and the best possible spares' availability compatible with the objective of private sector management. Specific contracts may be used for the participation of SIDO, VIS, district cooperatives and others. Additionally, it is recommended that the Hammermill Sustainability Programme (HSP) interlock with the Project development and promotion of other business opportunities at hammermill sites/villages. Liaison and support of nutrition (e.g. CARE/CANADA soya protein promotion) and health (e.g. USAID HIV-containment social marketing) promotion at these locales could also form part of the HSP endeavors and those of ZAMS as a whole.

e. Agricultural Engineering (RONCO)

In ZAMS II the Engineering component already carved out a role for itself in interacting with light engineering firms and clients alike on agro-equipment development. In ZAMS III the new market dynamics would require a step-up of those activities as well as in providing technical oversight of market construction, rural marketing infrastructure advisory (transport, storage, roads, water), equipment standards & norms, equipment use & installation advisory, training, etc.

f. Agribusiness Marketing and Market Development (RONCO)

Under policy reform and trade liberalization, marketing and market development should play a new and pivotal role within the ZAMS Project. This component would be at the heart of promoting "catalytic action" to break marketing bottlenecks, carry

out district level integrated marketing and market stimulation sub-projects, train rural NGOs in area needs & resource assessments and project management, foster exports, construct marketplaces, execute consumer preference surveys, upgrade emergent agri-business entrepreneurs' marketing skills, assist Project Engineering in agro-equipment marketing, and so on. Given the wide array of interventions this unit would make, it should leverage itself by working with and through NGOs, private companies, the MOCTI, training organizations; and the RONCO engineering, training, studies, consultancies, and publications components.

g. Training (RONCO)

At this point in ZAMS' life, training needs to take on a revitalized and expanded role to meet the demands that a fluid trade and production environment will create. It is recommended that ZAMS' greatest concentration be on preparing project implementors in project management and as trainers, and in promotion via workshops on agroprocessing, preventive maintenance, investment opportunities, and marketing. ZAMS can develop and package training materials to be used both at its own workshops and for beneficiaries' use. Those involving skills' enhancement of NGOs (including district level ones) in project management, finance & accounting, proposal writing, product & service costing, area resource & demands assessments, domestic and export market surveying, sales forecasting, viability & feasibility studies, advertising & promotion, sales administration, production & quality control, etc. can figure into this program. Collaborative efforts with the oils and business advisory contractors on some modules and some workshops should be made to avoid duplication and to leverage resources. Not to be confused with the ZAMS/RONCO training component are the specific, targeted training activities of ultimate beneficiaries to be carried out by the oilseed pressing and business advisory components of ZAMS.

h. Small Scale Rural Oilseed Pressing Programme (New International Contractor, Africare, RONCO)

This area should undergo a major expansion as ZAMS II studies and field applications have proven the need and demand for it based on rural nutrition, income generation, and crop increase potential. It is recommended that overall component management be by a contractor with time-proven, rural oil-making technical and program expertise. Africare is well-situated to continue as an implementor under the direction of the firm chosen. VIS, SIDO and other national and provincial NGOS would also have important field roles to play. RONCO's role would remain at the levels of OILS involvement, engineering assistance, lab analysis, M&E, special opportunities (e.g. investments, castor oil), information dissemination (e.g. through quarterly newsletter), and the coordination and facilitation needs arising.

i. Business Advisory (New International Contractor)

Due to the developing favorable ambience for private business proliferation (aside from current inflation/credit constraints), it is recommended that a business advisory component be installed in some provincial headquarter cities and Lusaka. It would be concerned with assisting micro and SSEs (directly and through fellow NGOs) that further the purpose of ZAMS to increase agricultural output, rural incomes, and nutritional status. Principal services to be offered by the business advisory service may be area assessments, viability & feasibility studies, training and one-on-one assistance in accounting, bookkeeping, general business management, production, materials sourcing, pricing, quality control, marketing, trade & agri-business fairs, and credit sourcing. The centers may also offer such services as secretarial, service and communications. They may participate in the planning and management of common service sites and business incubators. If and when inflation and interest indicators are normalized and the Mission approves a credit component, the business advisory could be the a principal coordinator of it, though actual fund management may be controlled through a different mechanism or agency, e.g. a bank. The contractor for the business advisory component should work hand in hand with ZAMS/RONCO, and Zambian NGOs (including the parastatal SIDO), possibly housing themselves in their provincial offices.

j. Publications and Information Dissemination (RONCO)

As recommended in these pages, ZAMS III would take on a greatly augmented role in the area of studies: policy change impact interpretation, sector, subsector, comparative advantage, market research, and so forth. Many of these studies would require fairly wide distribution when they are meant to provoke action (or provide information to take right action), and should be put in concerned hands in government, the development community, and enterprise. To assure quality output, ZAMS/RONCO should enhance its capacity for editing, improving or providing graphics, printing, binding and dissemination. Furthermore, this component should have charge of publishing a recommended quarterly ZAMS newsletter, any Hammermill Programme and Engineering informative leaflets required, and training materials elaborated by Training, Marketing, and Engineering Departments. In addition, it could prepare or edit releases for newspapers and magazines.

ANNEXES

- Annex A** - **Statement of Work**
- Annex B** - **Bibliography**
- Annex C** - **Persons Interviewed**
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- Annex E-1** - **ZAMS II Logframe**
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- Annex F-1** - **USAID/Zambia Organization Chart**
- Annex F-2** - **ZAMS II Organization Chart**
- Annex F-3** - **ZAMS/RONCO Organization Chart**
- Annex F-4** - **ZAMS III Proposed Organization Chart**
- Annex F-5** - **ZAMS/RONCO Proposed Organization Chart**
- Annex G** - **Manual Oil Press P & Ls**
- Annex H** - **Agribusiness Marketing Specialist TOR**
- Annex I** - **Analysis of Project Context and Recommendations for ZAMS III.**

ANNEX A
STATEMENT OF WORK

ARTICLE I - TITLE

Zambia Agribusiness and Management Support Project (ZAMS)
[611-0214].

ARTICLE II - OBJECTIVE

The contractor shall perform a mid-term evaluation of the Zambia Agribusiness and Management Support Project and based on the findings of the evaluation, prepare a Project Paper Supplement for suggested realignment of project objectives.

ARTICLE III - STATEMENT OF WORK

In order to accomplish the objectives stated above, the contractor shall provide two of a three member team which shall include an expert in Small Enterprise Development and an Agricultural Economist with extensive experience and skills in sector analysis. The third member of this team, a Zambian Rural Sociologist, will be provided by the mission through a separate purchase order.

The contractor's team shall work with the Zambian Rural Sociologist to accomplish the following tasks.

1. Mid-Term Evaluation

The team shall prepare a mid-term evaluation of the project which will address the validity of assumptions governing the revised project, and assess available evidence of project impact to date. Assessment of impact is specifically requested in terms of (a) economic/social benefits of small-scale rural maize meal processing; (b) economic and financial viability of hammermills; and (c) economic benefits and viability of small-scale oil seeds processors.

Also required is an examination of the enabling environment for growth and profitability in the small agribusiness sector, particularly food processing. Maize production, marketing, processing and consumer subsidy policy development and enactment should be reviewed in regard to market development of the small-scale processing sector.

The team shall assess project implementation to date, and measure progress in achieving the stated purpose and objectives. Specific ideas on the potential for expansion/extension and possible redirection of project activities is sought.

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a. Hammermill activities: Examine existing project experience with hammermill activities in terms of the relevancy of project activities in view of the new economic environment. A baseline study (under development) of the early experience of the National Hammermill Program will lay the basis for a continuing examination of the financial and economic viability of hammermills. A study of the nutrition and social impact of hammermills will be available to the evaluation team. A light manufacturing study will also be available which should clarify some of the options available. The team will consider appropriate options for expanding or redirecting assistance to the hammermill sub-sector.

b. Oil Seed Sector: The contractor will address the following issues: What is the potential for small-scale oilseed processing? Can USAID justify a major expansion of assistance to the small-scale oil processing sub-sector? Should the project be expanded on a nation-wide basis? What is the feasibility of inviting new organizations to participate in the oilseed processing subsector? An oil sector and processing study has been completed to assist the team.

c. The contractor will complete an institutional analysis of the Ministry of Commerce, Trade and Industry, Industrial Planning Unit (IPU) to determine capability to accomplish tasks in promoting ZAMS objectives. The contractor will identify institutional weaknesses and problems and propose options to address the constraints and specifically identify ways and means by which USAID might assist the IPU in addressing problems.

d. Rural light engineering component: Is it feasible to promote the manufacturing of spare parts for hammermills and small-scale oil presses. Is there a capacity to support such an activity and what constraints (e.g. access to foreign exchange) exist? Would such an effort be appropriately included in a revised ZAMS project? A study of this sector is underway and will be available for the assessment/design team.

If the assessment recommends an expansion and extension of the project into light manufacturing, what are the options for institutional support in the new activity and what are the modalities of implementation vis-a-vis the ongoing project?

If the study recommends that small manufacturing units be set up within existing larger concerns, the feasibility of this must be addressed and a suitable project element designed.

e. Should the project expand into the other agro-processing activities such as sorghum dehulling, product blending, new products, storage, marketing and publicizing various training and educational features of the project?

To achieve objective one, the contractor will first review all project documentation/files and follow-up with consultations with the contract team and others involved with small-scale industry on the question of the economic viability of elements in the project. Such consultations should include manufacturers of hammermills and oil presses, repair and maintenance service operators, actual processors, marketing agents as well as the implementing agencies such as VIS, SIDO, IFAD and the Ministry of Commerce, Trade and Industry's Industrial Planning Unit (IPU). Of specific interest to USAID is an examination of the new policy environment for small-scale agribusiness processing.

Specific contacts should included:

1. USAID, GDO, Mr. Val Mahan;
2. USAID, PIO, Mr. Leroy Scherer;
3. USAID, PDO, Mr. Peter Downs;
4. Chief of Party, ZAMS Project, Mr. Harvey Schartup;
5. Dr. Betty Wilkinson, Program Manager, VITA/LUSAKA;
6. Mrs. J. Mapoma, Honorary Chairman, Village Industry Services (VIS);
7. MacDonald Hommer, AFRICARE Zambia Representative;
8. Mr. Kaumba, Project Development Manager, SIDO; and
9. Mr. Banda, Deputy Director, Industry Department, Ministry of Commerce and Industry.

2. Project Paper Supplement

Guided by the findings of the evaluation, the team shall prepare a Project Paper Supplement. The Project Paper Supplement will fully conform to AID requirements outlined in Handbook 3. Using results of analyses already completed as well as those of the evaluation, the team will prepare an analysis to establish the overall feasibility of project objectives, and justify the proposed expansion or contraction and realignment of project activities.

FIVE PROJECT ELEMENTS:

The evaluation team will examine the following five existing or potential elements of the project. The first two elements are part of on-going project activities, and the last three are elements under consideration in the revised project.

ANNEX B
BIBLIOGRAPHY

ANNEX B

BIBLIOGRAPHY

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ANNEX C

PEOPLE INTERVIEWED

AFE - Mr. Phil J. Msoni, General Manager
AFRICARE - Mr. MacDonald Homer, Resident Representative
AGMMARK - Mr. Paddy Flemming, Director
AGMMARK - Mr. Paul Cartwright
AMD - Mr. W.N. Edwards, Consultant for Privatization
Catholic Diocese of Monze - Fr. Fred Moriarty, Development Promotor
CFU (Cooperative Farmers Union) - Mr. John Hudson, Executive Director
Chobe Women's Club - Mrs. Veronica Njigonga, Chairwoman
COMET - Mr. Clement Longa, Regional Enterprise Advisor
CPMC (Central Province Marketing Cooperative) - Mr. I. C. Chungu, Train'ng
EC - Ms. Mary Barton, Project Manager
EC - Mr. Mel Jones, EC Microprojects
Kaleya Engineering - J. Tembo, General Manager
Lima Bank - Mr. L. Zulu, Managing Director
Lima Bank - Mr. A. Chafwalkale, Operations Manager
Luano Wines - Mr. T.A. Watson, Director
MAFF - Mr. Henry Sichembe, Agricultural Engineer
MAFF - Mr. P. M. Mambo, District Agricultural Officer, Choma
MAFF - Mr. Julius Munego, Agricultural Officer, Monze
MAFF - Mr. Joseph Mwenya, Provincial Agricultural Officer, Southern Province
MAFF - Mr. Nanja, Extension Training Officer, Southern Province
MAFF - Mr. Phiri, Engineer, Southern Province
MAFF - Mr. Wurie. Monitoring Officer, Southern Province
Maruti Oils - Mr. Ramesh Parekh, Owner, Kabwe
MESH Enterprises - Mrs. Mosheh Moohga
MCTI - Hon. Depak Patel, Assistant Deputy Minister (presiding at meeting of development agencies)
MCTI - Dr. Kabeta Muleya, Director of Industry
MCTI - Mr. Felix Malundu, Economist
MCTI - Mr. Makalonga, Senior Economist
NORAD - Arne D Lonning, Senior Programme Officer

ANNEX C

PERSONS INTERVIEWED

Pemba Women's Club - Mrs. Chatembwa, Secretary
SARO - Mr. Ashok Oza, Managing Director
SARO - Mr. M. Amin, General Manager
SEP - Mr. A. Stoop, Management Advisor
SSIAZ - Mr. M. Chilwesa, Director
SSIAZ - Mrs. V. Tembo, Chairman, Women Industries Committee
SIDO - Mr. Mandesi Kaumba, Director of Ext. Services,
SIDO - Mr. Sibbuku, Controller/Special Projects
SIDO - Mr. Sanyikosa, Projects Development Manager
SIDO - Mr. Sakajela, Regional Manager, Choma
SIDO - Mr. Mjsowjose Muari, Senior Projects Officer
SIDO - Mr. Mukela Muliwana
SIDO - Mr. C. Hichebala, Projects Officer, Kabwe
SIDO - Mr. Zulu. Training Manager
SPMC (Southern Province Marketing Cooperative) - Mr. S. K. Bhattachanta,
Acting General Manager
SPMC - Mr. I. H. Munchanga, Marketing Manager
SPMC - Mr. S. Mungala, Marketing Officer
Standard Chartered Bank - Mr. Larson Phiri, Branch Manager, Choma
Turning and Metals - Mr. D.K. Ganguli, Chief Executive
Turning and Metals - Mr. Alex Scott, Group Technical Director
USAID - Mr. Val Mahan, General Development Officer
USAID - Mr. Leroy Scherer, Project Implementation Officer
USAID - Mr. Peter Downs, Projects Development Officer
USAID - Mr. John Wiebler. Program Officer
USAID - Mr. Fred Winch, Mission Director
USAID - Mr. Bruno Kosheleff, Assistant Director
USAID - Dr. W. P. Whelan, Agricultural Economist
USAID - Mr. John Foster, Agricultural Development Officer
USAID - Mr. George Smith, Acting Comptroller
USAID/HRDA - Mr. Wilbur Jones, Program Manager
UNDP - Dr. E.A.S. Taylor, Country Director
UNDP - Mr. J. Billings, Chief Technical Advisor
UNDP - Dr. Mulenga Bwalya, Economist
VITA - Ms. Betty Wilkinson, VITA Program Manager
VITA - Mr. Keith Paulsen, Asst. VITA Program Manager

VITA - Mr. Michael Slacam, Project Officer, Arlington, VA
VIS - Mr. Felix Chibuye., Project Director
VIS - Mr. Russell Mushanga, Development Training Manager
VIS - Mr. Mulenga, Personnel & Administrative Manager
VIS - Dr. Phiri, Assistant Project Director
VIS - Mr. Maximo Mubanga, Credit Controller
VIS - Mr. S. Kapaku, Information Officer
WORLD BANK - Mr. F.I.H. Moreithi, Country Representative
ZATPID - Dr. Florence Chenoweth, Chief of Party
ZATPID - Dr. John Litschauer, Adviser
ZATPID - Dr. James MacKenzie, Adviser
ZAMS - Mr. Harvey Schartup, Chief of Party
ZAMS - Mr. Derrick Burgess, Agricultural Engineer
ZAMS - Mr. Amon Mwalusaka, Training and Management Specialist
ZAMS - Dr. Joseph Temba, Consultant
ZATCO - Mr. Aron M. Muyovwe, General Manager
ZCF - Mr. A. Chisanga, Development Manager

ANNEX D

ZAMS CONTRACTS

Z A M S P R O J E C T
C O N T R A C T S

JUNE 3, 1992

CONTRACTE	START	END	AMOUNT	SPENT	REMAINING
RONCO					
\$	1989	9/30/93	3,841,943	\$1.98M	\$1.9M
K2.86	11/91	12/31/92	K45.1M	K20M	K26M
AMND 1	4/91	12/31/92	K1.6M	K0.8M	K0.8
IESC					
\$	1989	6/30/91	\$210,900	\$210,900	0
			K170,000	K170,000	0
			K1.5M	K788,000	K712,000
K2.59c	1989	6/30/92	K4.2M	K47,945	K3.5M
VITA					
\$ISG	8/89	7/90	\$166,470	ALL	0
AMND 1	9/90	8/91	\$189,217	ALL	0
\$HMRM	2/91	2/93	\$508817	\$181,379	\$434,621
			\$107,183		
\$ISG			\$532,000	\$169,897	\$362,103
WITH REMAINDEES ABOVE ARE AS OF MAR 31, 1992					
IS					
K359A	6/50/89	5/30/91	K8.8M	K9.8M	
AMND 1		9/3-/92	K27.9M	K6.0M	
AMND 2		2/31/92	NOT REQ FROM MOF	K11.6M	K8.3M
K2.59F	1/1/91	12/31/92	K79.2M	K25M	
		MISDIRECTED TO 2 59A		K18M	K36.3M
DO	12/91	12/30/92	K21.585M	VERY LITTLE SPENT AS YET. SOME TRNG STARTED.	

ANNEX E-1

ZAMS II LOGFRAME

Project: Zambia Agricultural Marketing Support Project

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
PROJECT GOAL:			
<p>To increase agricultural production, rural incomes and nutritional status through improvements in the agricultural marketing system for selected agricultural outputs and inputs</p>	<p>Increased allocation of farm resources to economically viable activities; increased marketed output; reduction in importation of selected agr. products. In targeted areas:</p> <ol style="list-style-type: none"> 1) increased rural income, and employment; 2) greater availability and reduced cost of selected inputs and outputs; 3) positive change in nutritional status. 	<p>Government, private firm and parastatal records and reports, on-site visits, discussions with and reports from local officials. Household and farm budget/ expenditure surveys. Crop forecast/nutrition module of MOH. MOH nutritional surveillance and hospital reports re: nutritional status. Records of volumes of transactions and employment.</p>	<p>GRZ will maintain producer price incentives; technology promoted is appropriate; no major drought will occur; GRZ will maintain its priority on agricultural development; fuel will remain available and at an economic price.</p>
PROJECT PURPOSE:			
<p>To improve the operational efficiency of agricultural markets for the provision of selected agricultural inputs and outputs, and promote market development.</p>	<ol style="list-style-type: none"> 1) Increased volume of rural processing for maize and oil seed. 2) Reduction in transaction costs for processing and marketing. 3) Expansion of private sector activity in agricultural marketing. 4) Increased GRZ capacity to support private sector marketing. 5) Increase in national transport capacity to distribute agricultural inputs and outputs. 	<p>Public and private sector firms' records; GRZ statistical reports; transport rate schedules; questionnaires and interviews with importers of truck tires, tubes and spares; studies of costs and marketing margins to traders and firms, and of timeliness of input supply and commodity payments to farmers. Monitoring of GRZ programs and policies to support agr. marketing.</p>	<p>GRZ will continue to expand direct private sector involvement in agricultural marketing; private sector costs for the transport sector will remain economical. Foreign exchange will continue to be made available to insure imports of engines and spare parts for hammersmills on a consistent basis. GRZ will maintain policies supporting price liberalization in the agricultural sector. Owners/operators will have access to capital.</p>

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>OUTPUTS:</p>			
<ol style="list-style-type: none"> 1) Increased processing and marketing of maize and edible oil in rural areas. 2) Expanded rural based agroprocessing capacity. 3) Improved availability of tires, tubes and spare parts for transport system. 4) Improved human resources contributing to market system improvements. 5) Timely provision of input supplies and desired quantities for use by small-scale farmers. 6) Increased rural employment. 7) Improved ability of selected NGOs to provide services to small-scale entrepreneurs in support to agri-business growth. 	<ol style="list-style-type: none"> 1) 200 and 500 hammermills distributed by VIS and SIDO, respectively, operating efficiently. 100 oil expellers/extruders established and functioning. 2) Approx. 500 vehicles returned to service as a result of spare part availability. Approx. 6 mil. ton miles of truck transport facilitated. 3) 60 public and private sector individuals trained in third countries in agro-marketing related areas. 6 Master's degrees completed and participants returned to service. 800 personnel trained in (at least 30% women) in-country short courses. 4) 3 training and maintenance centers established in rural areas by VIS. 10 private entrepreneurs establish maintenance centers. 5) Improved performance of private maintenance centers in rural areas. 6) 1500 additional jobs created from hammermill operations. 7) 75 full-time jobs created for women in oil processing. 8) VIS and SIDO servicing 20% more clients. 	<p>USAID, GRZ and private firms' records and reports and on-site visits. Participating NGO monitoring and evaluation reports.</p>	<p>Recommendations of ZAMS T.A. and implementing NGOs are sound, accepted and carried out. Trainees identified and sent to training in a timely manner. Short course curricula developed and put in place. Timely delivery of imported commodities. Timely access to credit, training and fuel by small-scale farmers and groups. Production technology is appropriate and ancillary support services available to producers in a timely manner. Implementing NGOs carry out support activities in an effective and timely manner.</p>

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
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INPUTS:

1) Commodities: a. hammermills b. oil expellers c. Transport d. supplies	1) K2 million (\$50,000) and \$150,000 in technical equipment for maintenance of hammermills and other agro-processing equipment; K10,000,000 (\$250,000) in oil processing equipment;	Project monitoring and evaluation records and reports, including site visits.	Current economic stabilization policies continue to reduce inflation. GRZ will continue to provide adequate kwacha funds to project in a timely manner. GRZ will facilitate clearance of imported commodities. GRZ continues to encourage private sector expansion and increases liquidity within the banking system.
2) Technical assistance	\$1.8 m in tires/trucks spares;		
3) Training	K2,600,000 (\$65,000) in supplies.		
4) Infrastructure development	\$100,000 in vehicles.		
5) Strengthening of NGOs involved in support of agri-industries	2) 16.3 py long-term U.S. TA personnel; 158 p.m. short-term U.S. technical assistance personnel. 110 p.y. local TA personnel. K13,000,000 (\$260,000) in in-country training to support hammermills, oil, oil presses operations and business development. \$100,000 in TA to small-scale industry upgrading under the IESC grant. 3) 15 p.y. overseas degree training. 150 p.m. overseas non-degree training. 800 p.m. in-country non-degree training 5) \$1,655,000 in local NGO institutional strengthening		

ANNEX E-2

ZAMS II REVERSE LOGFRAME

REVERSE LOGFRAME

ZAMS II LOGFRAME OF 3/91 VERSUS MID-TERM EVALUATION RESULTS TO 6/92

ANNEX E-2 (Page 1)

IMPORTANT ASSUMPTIONS
ZAMS II LOGFRAMEACTUAL ASSUMPTION
STATUS TO 6/92PROJECTED VERIFIABLE
INDICATORS TO 9/93ACTUAL ACCOMPLISHED
INDICATORS TO 6/92NARRATIVE SUMMARY
ZAMS II LOGFRAME

GRZ will maintain producer price incentives; technology promoted is appropriate; no major drought will occur; GRZ will maintain its priority on agricultural development; fuel will remain available and at an economic price.

GRZ moving to market demand pricing, hammermills & oilseed pressing technology is appropriate; A MAJOR DROUGHT HAS OCCURRED; GRZ is maintaining priority on agricultural development; fuel has remained available and economic vis-à-vis inflation.

Increased allocation of farm resources to economically viable activities; increased marketed output; reduction in importation of selected agricultural products. In targeted areas: (1) increased rural income, and employment; (2) greater availability and reduced cost of selected inputs and outputs; (3) positive change in nutritional status.

New market demand policy orientation will cause farm resources to shift to economically viable activities; major drought has caused reduction of agricultural marketed output and increased importation; spread of hammermills has increased rural income and assisted maize meal savings and nutritional status; oil pressing has helped rural income, outputs costs, and nutritional status only marginally to date; prices of inputs and outputs have increased due to hyper-inflation and price fixing/subsidy policy changes.

PROJECT GOAL:

To increase agricultural production, rural incomes and nutritional status through improvements in the agricultural marketing system for selected agricultural outputs and inputs.

6/2

IMPORTANT ASSUMPTIONS
ZANS II LOGFRAME

ACTUAL ASSUMPTION
STATUS TO 6/92

PROJECTED VERIFIABLE
INDICATORS TO 9/93

ACTUAL ACCOMPLISHED
INDICATORS TO 6/92

NARRATIVE SUMMARY
ZANS II LOGFRAME

GRZ will continue to expand direct private sector involvement in agricultural marketing; private sector costs for the transport sector will remain economical. Foreign exchange will continue to be made available to insure imports of engines and spare parts for hammermills on a constant basis. GRZ will maintain policies supporting price liberalization in the agricultural sector. Owners/operators will have access to capital.

Last seven months of UNIP facilitated private sector involvement in rural hammermill ownership, while NHD has opened the way for across-the-board agricultural marketing participation. Transport costs and availability continue to be a problem for off the line of rail. Forex has been available for engines and spares generally. The GRZ has nearly completely released price fixing. Only access to capital has been for qualifying buyers of hammermills and the few Bielenberg oil presses.

(1) Increased volume of rural processing for maize & oilseed. (2) Reduction in transaction costs for processing and marketing. (3) Expansion of private sector activity in agricultural marketing. (4) Increased GRZ capacity to support private sector marketing. (5) Increase in national transport capacity to distribute agricultural inputs and outputs.

(1) Substantial rural processing increase for maize, slight for oilseed. (2) Cost reductions achieved for maize milling and transport. (3) Private sector activity expanded in maize milling. (4) GRZ capacity somewhat increased to support private sector marketing (MAFP and MCTI). (5) National transport capacity for agricultural distribution not increased.

PROJECT PURPOSE:

To improve the operational efficiency of agricultural markets for the provision of selected agricultural inputs and outputs, and promote market development.

IMPORTANT ASSUMPTIONS
ZANS II LOGFRAME

ACTUAL ASSUMPTION
STATUS TO 6/92

PROJECTED VERIFIABLE
INDICATORS TO 9/93

ACTUAL ACCOMPLISHED
INDICATORS TO 6/92

NARRATIVE SUMMARY
ZANS II LOGFRAME

Recommendations of ZANS T.A. and implementing NGOs are sound, accepted and carried out. Trainees identified and sent to training in a timely manner. Short course curricula developed and put in place. Timely delivery of imported commodities. Timely access to credit, training and fuel by small-scale farmers and groups. Production technology is appropriate and ancillary support services available to producers in a timely manner. Implementing NGOs carry out support activities in an effective and timely manner.

T.A. recommendations have been sound and by and large acted on, and training carried out. Short course curricula has been developed. Imported commodities generally timely delivery, except spares clearing for SIDO. Credit, training and fuel access timely to hammermill operators but not general farmer populace. Technology is appropriate, but support services poorly developed. NGO field support has improved with transport equipment and M&E training inputs.

(1) 200/500 hammermills distributed by VIS/SIDO, operating efficiently. 100 oil expellers established and functioning. (2) Approx. 500 vehicles returned to service as a result of spare part availability. Approx. 6 million ton miles of truck transport facilitated. (3) 60 public & private individuals trained in third countries in agro-marketing related areas. 6 masters degrees completed and participants returned to service. 800 personnel trained in (at least 30% women) in-country short courses. (4) 3 training and maintenance centers established in rural areas by VIS. 10 private entrepreneurs establish maintenance centers. (5) Improved performance of private maintenance centers in rural areas. (6) 1500 additional jobs created from hammermill operations. (7) 75 full-time jobs created for women in oil processing. (8) VIS and SIDO servicing 20% more clients.

(1) 220/1200 hammermills distributed by VIS/SIDO, mainly operating efficiently mechanically. 14 oil expellers established and retired from field. (2) Spare parts forex provided under ZANS I and 300 trucks made road-worthy (3) 11 trained in third-country and 3 in U.S. short courses in ZANS II and 7 and 9 respectively in ZANS I (total 30). 6 master completed or underway in U.S. Approx 350 trained (mostly men in mechanics) in-country (4) 2 VIS training & maintenance centers in advanced preparations. No private businessmen have established maintenance centers as yet known or with direct ZANS support. (5) Performance assistance training scheduled for rural area mechanical workshops. (6) Some 2,500 jobs created by new hammermill placements. (7) For a time oilseed pressing created some 40-50 jobs for young men and women members. (8) Hammermill program has greatly increased VIS and SIDO clientele.

OUTPUTS:

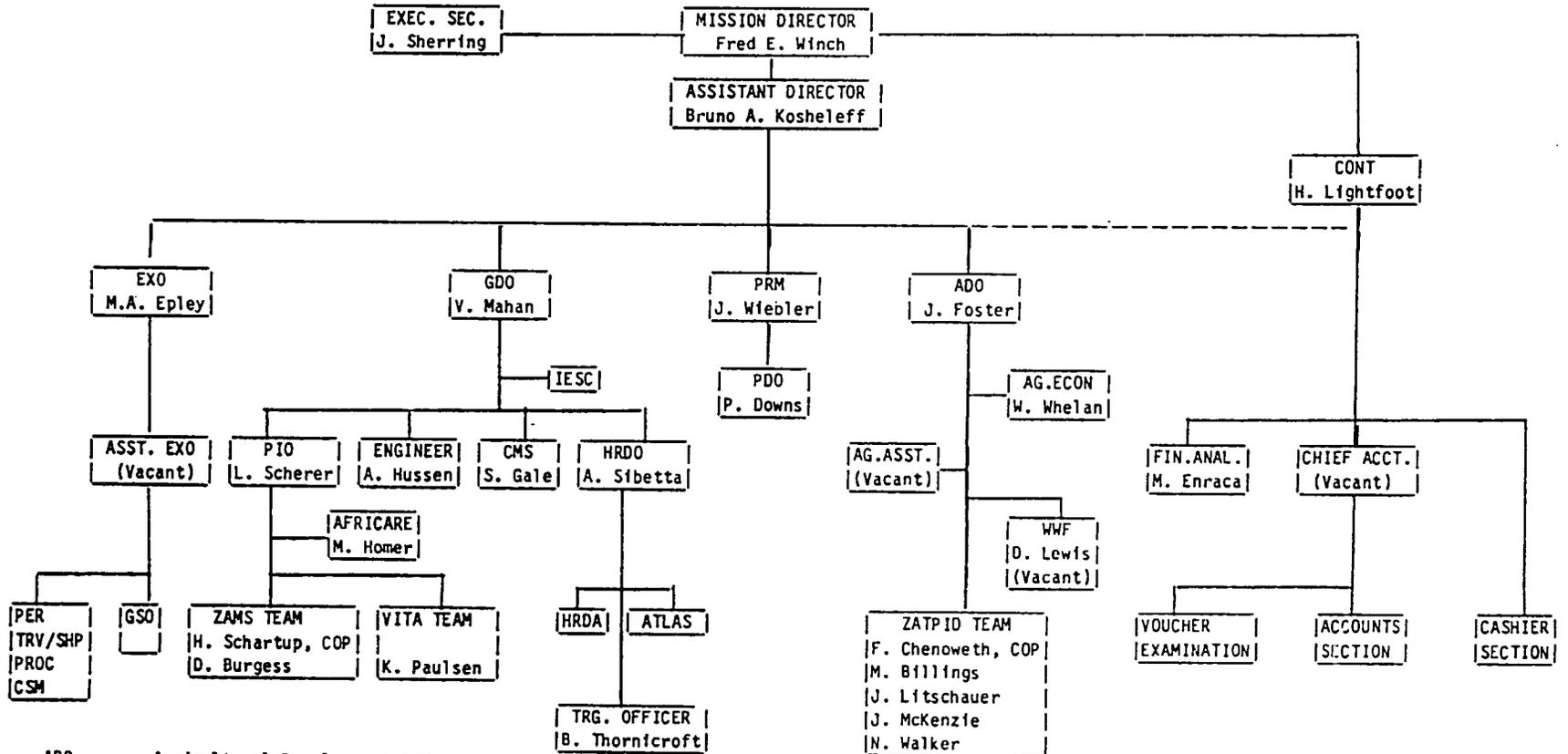
- (1) Increased processing and marketing of maize and edible oil in rural areas.
- (2) Expanded rural based agro-processing capacity.
- (3) Improved availability of tires, tubes, and spare parts for transport system.
- (4) Improved human resources contributing to market system improvements.
- (5) Timely provision of input supplies and desired quantities for use by small-scale farmers.
- (6) Increased rural employment.
- (7) Improved ability of selected NGOs to provide services to small-scale entrepreneurs in support to agri-business growth.

IMPORTANT ASSUMPTIONS ZAMS II LOGFRAME	ACTUAL ASSUMPTION STATUS TO 6/92	PROJECTED VERIFIABLE INDICATORS TO 9/93	ACTUAL ACCOMPLISHED INDICATORS TO 6/92	NARRATIVE SUMMARY ZAMS II LOGFRAME
<p>Current economic stabilization policies continue to reduce inflation. GRZ will continue to provide adequate kwacha funds to project in a timely manner, GRZ will facilitate clearance of imported commodities. GRZ continues to encourage private sector expansion and increases liquidity within the banking system.</p>	<p>Hyper-inflation continued unaltered through May 1992 with signs of some abatement thereafter. There have been no problems with GRZ kwacha provision; USAID local currency disbursements were untimely and very problematic in 1990-91. Hammermill engine clearances were facilitated; spares for SIDO not. Under the last period of UNIP some private sector expansion was allowed, while under MND it is encouraged. Liquidity within the banking system is being constrained to fight inflation.</p>	<p>(1) K2 million (\$50,000) and \$150,000 in technical equipment for maintenance of hammermills and other agro-processing equipment; K10 million (\$250,000) in oil processing equipment; \$1.8 million in tires/truck spares; K2.6 million (\$65,000) in supplies. \$100,000 in vehicles. (2) 16.3 p.y. long-term U.S. TA personnel; 158 p.m. short-term U.S. technical assistance personnel. 110 p.y. local TA personnel. K13 million (\$260,000) in-country training to support hammermills, oil, oil presses operations and business development. \$100,000 in TA to small-scale industry upgrading under the IBSC grant. (3) 15 p.y. overseas degree training. 150 p.m. overseas non-degree training. 800 p.m. in-country non-degree training. (4) \$1,655,000 in local NGO institutional strengthening.</p>	<p>(1) VIS maintenance workshops not yet supplied with equipment. Forex for oil processing machinery and tires/spares imports provided (later \$1.8 million) under ZAMS I. Vehicles supplied: 4 sedans, 4 4-wheel drives, 10 pickups, 1 3-ton truck, and 14 motorcycles. (2) 10 p.y. long-term U.S. TA personnel. 32 p.m. short-term U.S. TA personnel. 16 p.y. local TA personnel (exclusive of employees). IBSC TA \$211,000 and K500,000. (3) 12 p.y U.S degree training. 20 p.m. in overseas non-degree training. 100 p.m. in-country non-degree training. (4) Some \$1,310,000 has been expended to date in local NGO institutional strengthening.</p>	<p>(1) Commodities: a. hammermills b. oil expellers c. transport d. supplies (2) Technical assistance (3) Training (4) Infrastructure development (5) Strengthening of NGOs involved in support of agro-industries.</p>

ANNEX F-1

USAID/ZAMBIA ORGANIZATION CHART

ORGANIZATION CHART - USAID/ZAMBIA



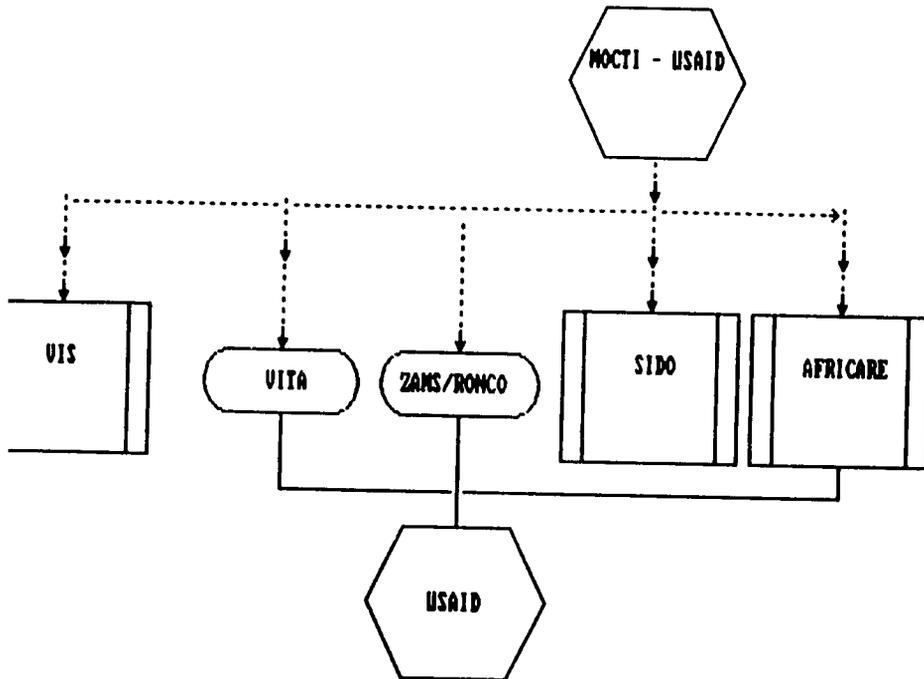
- ADO - Agricultural Development Officer
- AG ECON - Agricultural Economist
- CMS - Commodity Management Specialist
- CONT - Controller
- COP - Chief of Party
- EXO - Executive Officer
- GDO - General Development Officer
- HRDO - Human Resources Development Officer
- PDO - Project Development Officer
- PIO - Project Implementation Officer

- HRDA - Human Resources Development Assistance
- VITA - Volunteers in Technical Assistance
- ZAMS - Zambia Agribusiness and Management Support
- ZATPID - Zambia Agricultural Training, Planning and Institutional Development

ANNEX F-2

ZAMS II ORGANIZATION CHART

ZAMS PROJECT (FUNDING & FINANCIAL REPORTING)



NOTES:

DOLLARS



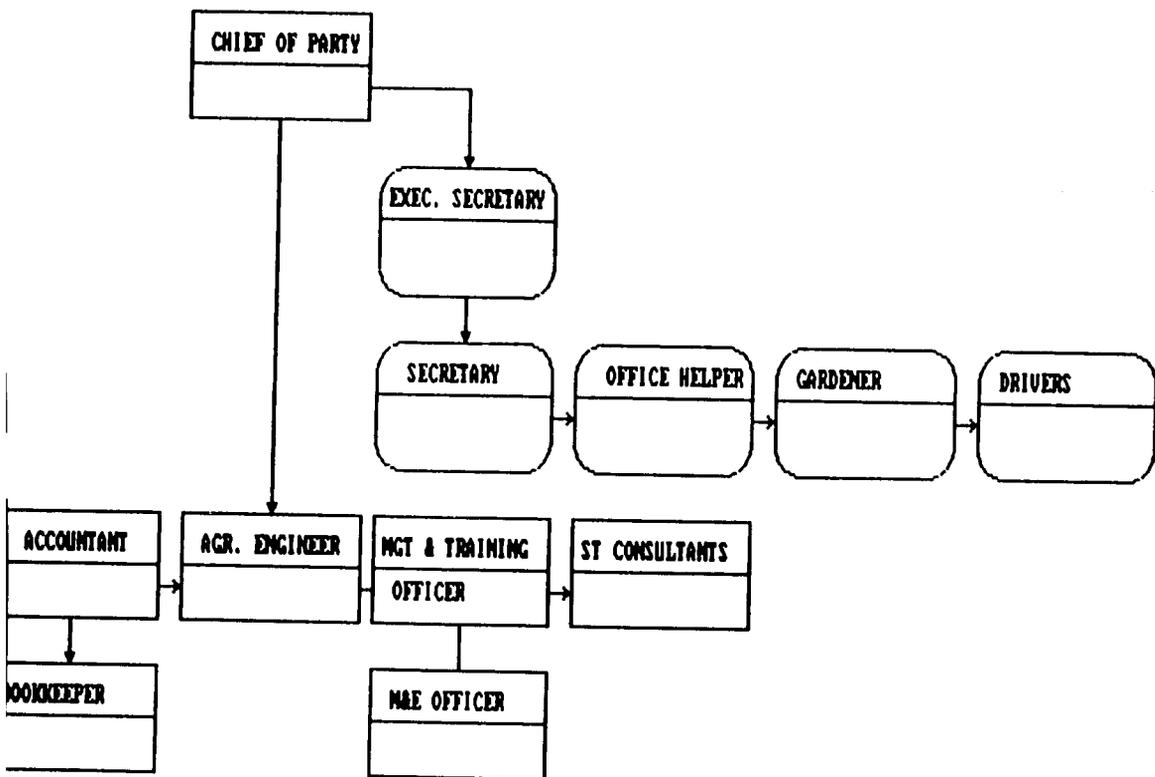
KMACHA



ANNEX F-3

ZAMS/RONCO II ORGANIZATION CHART

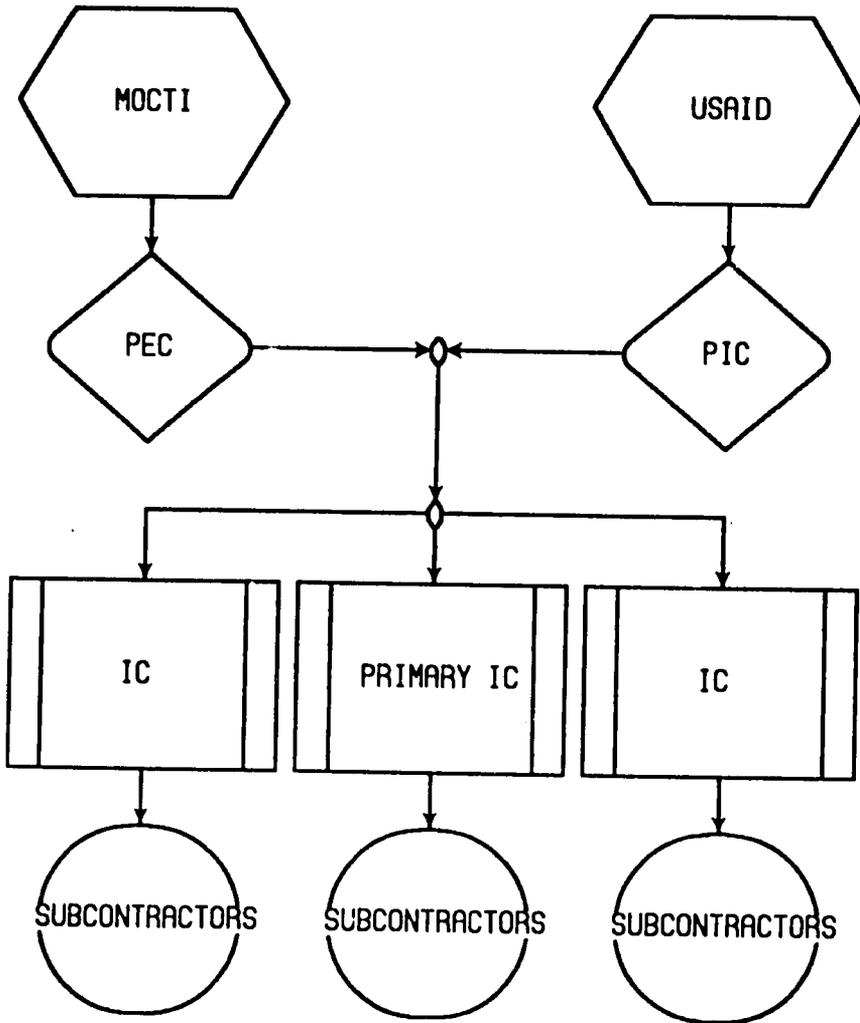
ZAMS/ROMCO ORGANIZATION CHART (MAY 21, 1992)



ANNEX F-4

ZAMS III PROPOSED ORGANIZATION CHART

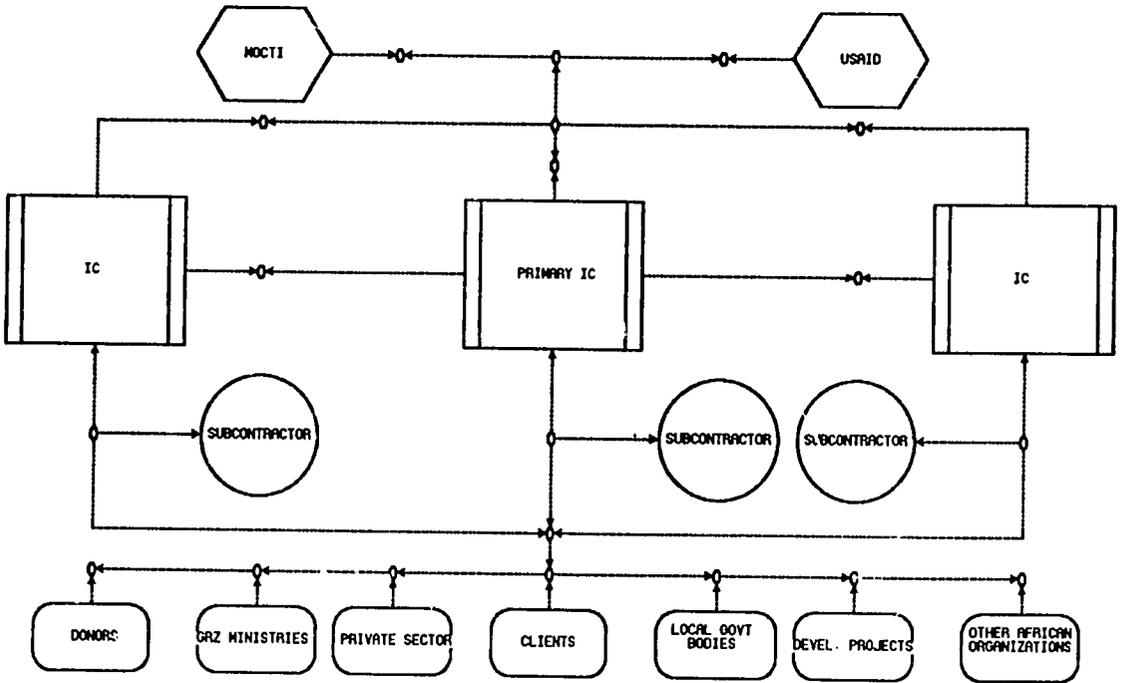
ANNEX III - SUPERVISORY RELATIONSHIPS



KEY:

- MOCTI - Ministry of Commerce, Trade and Industry
- PEC - Project Executive Committee
- PIC - Project Implementation Committee
- IC - International Contractor

ZAMS III - COLLABORATIVE RELATIONSHIPS

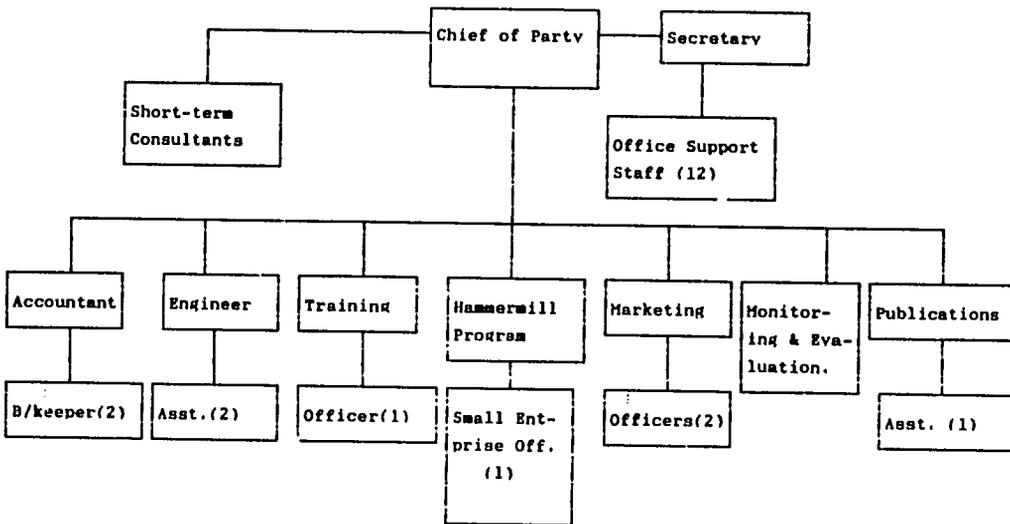


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ANNEX F-5

ZAMS/RONCO PROPOSED ORGANIZATION CHART

ZAMS/RONCO PROPOSED ORGANIZATION CHART
 (At Full Strength. est. 1993)



ANNEX G

MANUAL OIL PRESS P & LS

Table 1 - Estimated Income Statements for 1990/91 Crop Year

file: a/fri_lb11.wk1

08-Nov-91

Based on: (1) club projections of purchases and (2) current sales and purchase prices
(3) club estimate of daily kgs. processed

	CLUBS:					
	KANCHELE	SIBAJENE	CHOBE	TUSOLE	NANCHENGWA	HYPOTHETICAL
PURCHASES						
Sunflower						
No. 50 kg. bags (a)	174	40	80	30	100	261
Price per bag (b)	492	450	500	500	500	500
Total Purchase Cost	85,608	18,000	40,000	15,000	50,000	130,500
COOKING OIL						
Number of liters (c)	1566	360	720	270	900	2349
Price per liter (b)	133	133	133	173	133	133
Total Sales of Cooking Oil	208,278	47,880	95,760	46,800	119,700	312,417
CAKE						
Number of kilos (d)	7134	1640	3280	1230	4100	10701
Price per Kilo (b)	5	5	5	5	5	5
Total Sales of Cake	35,670	8,200	16,400	6,150	20,500	53,505
Total Sales Revenue	243,948	56,080	112,160	52,950	140,200	365,922
OTHER EXPENSES						
Number of paid laborers (e)	0	3	0	0	0	6
Wage per month (b)	0	500	0	0	0	1000
No. of processing months	7	2	9	1	6	4
Total Other Expenses	0	3,000	0	0	0	24,000
NET CASH PROFIT (LOSS)	158,335	38,075	72,155	37,945	90,195	235,417
ESTIMATED LOAN REPAYMENT						
CAPITAL EQUIPMENT (f)						
Principal repayment	30000	30000	30000	30000	30000	30000
Interest payment	36000	36000	36000	36000	36000	36000
Total Loan Payment	66,000	66,000	66,000	66,000	66,000	66,000
NET CASH BALANCE	92,335	(27,925)	6,155	(28,055)	24,195	169,417

ANNEX H

**AGRIBUSINESS MARKETING SPECIALIST
TERMS OF REFERENCE**

POSITION DESCRIPTION (DRAFT)

AGRIBUSINESS MARKETING SPECIALIST

Under the former regulated economy parastatals, government affiliated cooperatives and the mining industry dominated. Business marketing skills were not developed. There was little need or incentive to explore new opportunities. Many prices were fixed, competition was limited, sales were relatively certain, and (in some instances) profits did not matter. Marketing simply meant producing and shipping to these large and regular customers.

Evidence of this dearth of marketing acumen is evident from problems that Africare had with manufactures' poor quality, high prices, little follow through and seemingly lack of interest. Further testimony is found in the rural light engineering study's observations of the under-utilization of local engineering firm capacity, their capability in manufacturing and repair areas previously thought to be a major hindrance to motorized oilseed processing and the ignorance of both parties (processor and manufacturer) of each others' existence.

With the government's new economic orientation and political openings to South Africa pricing, quality and competition (i.e. MARKETING) will be major elements of a firm's success. Agribusiness growth will be market driven and the Agribusiness Marketing Specialist position will be a catalyst for agribusiness development.

The Agribusiness Marketing Specialist will concentrate on the agricultural processing sector and sectors that give it support (i.e. agricultural equipment, agricultural transport, storage, etc.). The main duties of the position will be in:

- analyzing the market potential or market demand in domestic, regional and export markets
- developing marketing strategies
- informing entrepreneurs of market niches, market potentials and marketing requirements
- developing promotion and advertising mechanisms
- identifying and analyzing investment opportunity areas
- identifying and helping to rectify market bottlenecks
- identifying marketing policy issues
- identifying marketing channels and promoting marketing linkages between smaller enterprises and larger businesses
- training in marketing and market development
- serving as a leading source of information and resource on markets and marketing

The Specialist could also be called upon to assist with:

- product pricing and costing
- sales projections and forecasting
- market oriented feasibility studies
- packaging, storage and transport related issues
- purchasing strategies for raw materials and equipment
- product quality control guidelines
- product advertising and promotion
- promotion of investment packages
- other aspects of agribusiness marketing not identified above

The Agribusiness Marketing Specialist will work primarily as a consultant and advisor to such organizations as SIDO, VIS, VITA, Africare, enterprise and industry associations and Government ministries. In some circumstances, the Specialist may work directly with firms, in agriculture and its supporting sectors, that are larger than normally handled by these organizations.

ANNEX I ("Eye")

**ANALYSIS OF PROJECT CONTEXT
AND
RECOMMENDATIONS FOR ZAMS III**

By

Joseph F. Burke

**Lusaka, Zambia
June, 1992**

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This treatment presents a set of project fundamentals, contextual circumstances, and recommendations as a foundation for the issuing of a pp supplement. Please read the "Mid-Term Evaluation of The Zambia Agribusiness and Management Support Project (ZAMS)" before this.

A. FOUNDATION AND ISSUES

1. Changing Circumstances Requiring a New PP Supplement

Principal reasons that a new PP supplement is needed are:

- * With the change of government has come a favorable environment to re-expand the mandate to meet ZAMS' original objectives.
- * Oilseed subsector studies and the Africare oil pilot project in Southern Province have shown that a major expansion and the inclusion of a highly experienced small scale oilseed processing contractor are justified.
- * The inclusion of a contractor is required to promote business advisory services in order to support SSE start-ups and sustainability.
- * The prime contractor should expand its staff, consultant availability, and equipment to cope with the increased demands and opportunities of the improving business environment.
- * A five year period is needed to achieve telling and sustainable impact.

2. Project Goals and Purposes

In looking at a Project reorientation to fit the evolving business environment and new economic dynamic, it is important to reflect upon the Project's goal and purpose and determine if they are still the optimum ones to govern a redesign and at the same time are compatible with the current Mission strategy.

The goal as stated in the PP is: "...to increase agricultural production, rural incomes, and nutritional status through improvements in the agricultural marketing system for both agricultural inputs and outputs."

The purpose as stated in the PP is: "...to improve the operational efficiency of the agricultural marketing system for selected agricultural inputs and outputs in selected geographical areas, and promote market development."

Zambia is the second most urbanized country in sub-Sahara Africa, with over 50% of the population now living in cities. A major reason for rapid migration has been the lack of economic incentive to farm. Motivation to remain in rural areas must be

provided by demand for produce at higher prices, new income opportunities, and better nutrition. Under policies through which the state dominated agricultural marketing, ZAMS had limited scope to influence improvements and efficiency of the marketing system as a means to accomplish the goal. Focusing on rural hammermills and small scale oilseed expelling was a way to assure some impact. However, the installation of the MMD government has brought with it a volta face in economic philosophy and policy that now paves the way for ZAMS to achieve a far higher level of success precisely in the fashion prescribed by the original project purpose.

The Mission's current Program Objective Tree shows:

- * Goal: Market-oriented sustainability, broad-based economic growth
- * Subgoal: Diversified economy
- * Strategic Objectives: Improve economic performance of food and agriculture sector
- * Targets: (a) Improve productivity, (b) Enhance private sector opportunities, and (c) Support policy and structural reforms.

The ZAMS' goal and purpose are in line with these objectives as are the activities of the Project.

3. Project Rationale

The Project Rationale as stated in the PP is that the "...ZAMS Project...can serve as an effective vehicle to help move the economy from the inherited system based largely on marketing through parastatals toward a system in which private enterprise takes on increased marketing functions."

ZAMS now has the opportunity to truly act on this rationale in coming years and expect to make important contributions if it thoughtfully redesigns the Project.

4. Project Strategy

The strategy of ZAMS is to foster efficiency in agricultural marketing systems through private enterprise development and support. The components and activities of ZAMS, as herein recommended, are designed to concentrate on studies, interventions, training, support, and information dissemination that will initiate, transform, or fortify systems and businesses so that they may facilitate or enjoy profitability on a sustained basis.

5. Constraints, Risks, and Assumptions

While emphasis has been placed on the growth opportunities that are engendered by the new government's embrace of private enterprise, there are a number of serious constraints and risks that could restrain the level and/or timing of success to which the Project aspires. These are:

- * Political Will and Stability. The consolidation of democracy would be a challenge even if the country did not have to suffer the pains of structural adjustment and a transition from being a command economy to one in which the private sector is the motor. The assumption is that the Government will have the political will carry his programs forward, and that the government will be stable.
- * Government Efficiency. The government is "pruning" large numbers of state employees in the interest of budget and work efficiency. Concurrently the GRZ is altering the functions of the ministries and autonomous bodies from being structures to run the economy to ones to guide and supervise the economy. The GRZ insistence on "transparency" backs the Project assumption that the success level will be adequate to greatly improve the efficiency and effectiveness of government to support its stated program aims and the goals of this Project.
- * Inflation and Credit. Taken together, high inflation and lack of credit is the single greatest enemy to productive economic growth at this time. Defeating high inflation is of the highest priority to the GRZ, and until this is accomplished, credit for capital loans is neither feasible nor advisable. Restraint of M2 expansion is necessary; reducing overdraft facilities also. However, money supply increase to acquire imported maize and as a result of compensations to people made redundant can postpone these intentions. Likewise, freeing of prices fuels inflation. Therefore, it can be assumed that reductions of the inflation rate sufficient to put in place a credit-stimulating policy will be delayed for at least two years. In the meantime, it is assumed that adequate trade credit will be supplied to maintain a "survival" level of commercial movement.
- * Exchange Rate. It is assumed that the exchange rate will continue to be allowed to devalue toward demand levels, thus stimulating export potential. Over the near term, however, this movement will help to keep inflation high.
- * Foreign Exchange Availability. Foreign exchange will continue to be tight in the near term but will become increasingly available as/if other assumptions on exports, foreign aid, drought surcease, and the like fall into place.
- * Foreign Debt. The foreign debt and interest servicing obligations will continue to be a major constraint on the GRZ's ability to contract new loans. However, it is assumed that the intentions and actions of the government to engage in structural adjustment and promote private enterprise will lead to increased foreign aid (including debt pardoning), and exports over the medium term.

- * Trade Liberalization. It is assumed that the GRZ will continue to liberalize trade, including the widening of the open general license (OGL) to cover virtually all imports, lower import tariffs, and decontrol exports.
- * Exports. The GRZ will continue to come to grips with the necessity to decrease dependence on dwindling copper as the mainstay (over 90%) of exports and source of foreign exchange. Monetary and foreign exchange adjustments together with trade liberalization and dependence on private sector growth will lead to substantial exports of non-traditional products in the coming years.
- * Government Revenue. Tax reforms and collection enforcement will increase government revenue. Public sector (civil service and parastatal) rationalization, and abandonment of food-related subsidies will allow reassignment of revenues to public welfare services. International donor support will increase.
- * Drought. It is assumed that rains will resume at the end of 1992. International food assistance will cover most of the maize and oil short falls.
- * State-Run to Private Sector Adjustments. While parastatal and ZCF operations must continue to provide products and marketing services during the transition to private sector growth and replacement, this will not be to the discouragement of private enterprise, which will be put on an equal competitive footing.
- * Weak Infrastructure. The Zambian highways, rural roads, and electricity extension are inadequate to support efficient marketing and solid growth. It is assumed that donors will continue and step up support to assist infrastructural improvements.
- * Domestic Demand. Real income and consumption per capital has suffered long term deterioration. It is assumed that this trend will be turned around in 1994/5.
- * Weak Entrepreneurial Base. The 27-year socialist orientation of Zambia has left it with a weak entrepreneurial base. It is assumed that the enabling environment and training efforts by the GRZ and international support will slowly build capability. However, this poor starting point plus macro-economic weaknesses will impede proliferation of successful large firm local ownership for many years to come. Small firm activities will be more successful. A growing international industrial participation will spawn a new generation of Zambian professionals and entrepreneurs.
- * Poor Investment Climate. The "fundamentals" of the Zambian economy and past anti-private sector history will not encourage investors to flock to the country. The greatest interest for now is by exporters who hope to sell into a liberalizing economy. However, as the inflation rate is checked and confidence in the nascent democracy and the GRZ's private enterprise encouragement rises, investors in productive activities will arrive. Nonetheless, the worldwide recession and the scores of newly liberalized countries vying for international investment severely constrain Zambia's

potential. Initially, it may be expected that commercial farming (for export) and industries supplying basic consumer demands will attract most interest. South Africans would probably comprise a high proportion of these investors, due to the availability of good farming land and fears of political instability in their own country. However, lack of confidence in Zambia and difficulty in converting large sums of rands may be constraints.

- * Privatization Competition. While Zambia is now coming on with a liberal and ambitious privatization approach, many other countries in Eastern Europe and Africa are doing the same thing. Investor confidence in long term stability, larger markets, and better trained employees is higher for some Eastern European countries than for African ones. Zambia can not expect to make many initially lucrative sales of its parastatals. Schemes such as "pay-outs" whereby the buyers take over the facilities, invest in improvements, and pay the government out of future profits will be necessary. Zambia may have advantages over Eastern European countries in attracting South African and British investors.
- * Impoverished Neighbors. A constraint on Zambia's export potential is that most of her neighbors are impoverished also, ie. Zaire, Angola, Mozambique, Malawi, Tanzania. Others have small populations or similar products, ie. Namibia, Botswana, and Zimbabwe. Nevertheless, export opportunities do and will exist (eg. maize), especially as the foreign exchange devalues further and private enterprise takes hold. South Africa, too, may provide a good market for selected products in which Zambia proves to have comparative advantage. Agricultural exports to the industrialized countries will be a growth area.
- * Weak NGO Sector. The NGO sector capable of assisting the development of the SSE private sector is small and weak. Only two organizations (SIDO and VIS) exist with country-wide outreach. There is still a paternalistic tendency to believe that they should do services for SSEs rather than assist other SSEs to be able to offer services, e.g. providing spare parts and repairs to hammermill operators rather than facilitating private mechanics and repair shops to do so. It is assumed that under an enabling environment other international agencies, like ZAMS, will support the strengthening and growth of local NGOs for the purpose of SSE assistance.
- * Health. On the average 25% of women attending prenatal clinics test positive as HIV carriers. The high incidence of HIV, and eventually AIDS, among people in their prime can be assumed to have a strong negative impact on the economic development of the country and also on the functioning of the ZAMS project. An attempt to quantify these impact projections may be done together with the proposed USAID/Zambia HIV containment project.

6. Sustainability

Sustainable development, or sustainability of a development program, refers to the ability "...to deliver an appropriate level of benefits for an extended period of time

after major financial, managerial, and technical assistance from an external donor is terminated."¹

The greatest external factor favoring the sustainability of actions of the ZAMS Project is the dedication of the new GRZ to creating an enabling environment for private enterprise. This factor is composed of numerous elements, chief amongst them: GRZ (a) dedication to structural adjustment, (b) overt encouragement of private sector, (c) enabling policy and legislation, and (d) disassembly of state control of production and marketing.

The threats to sustainability are those treated in the previous subsection, "Constraints, Risks, and Assumptions."

Controllable factors promoting sustainability should be considered in the project design, and during project monitoring of results over time. The (recommended) strategy of ZAMS III stresses this:

"The strategy of ZAMS is to foster efficiency in agricultural marketing systems through private enterprise development and support. The components and activities of ZAMS are designed to concentrate on studies, interventions, training, resource support, and information dissemination that will initiate, transform, or fortify systems and businesses so that they may facilitate and/or enjoy profitability on a sustained basis."

B. THE PROJECT COMPONENTS

Under ZAMS II the major components or activity areas have been:

- * Rural Hammermill Support (VITA/VIS, SIDO and RONCO)
- * Institutional Strengthening of VIS (VITA)
- * Small Scale Rural Oilseed Pressing (Africare, RONCO)
- * Subsector and Baseline Studies (RONCO)
- * Ag. Engineering, R&D (RONCO)
- * Training (RONCO in TOT and VITA/VIS, Africare, SIDO direct to beneficiaries)
- * Overall Project Coordination and Facilitation (RONCO)
- * Overall Monitoring and Evaluation (RONCO)

1. ZAMS III Major Components' Overview

Under ZAMS III most of these components should be retained but enhanced or altered to better fulfill Project objectives. New components or activities should be added to

¹ "Sustainability of Development Programs: A Compendium of Donor Experience." November 1988. A.I.D. Program Evaluation Discussion Paper No. 24. Washington, D.C. USAID. Page 3.

take advantage of the enabling environment and the original PP mandate. An overview of the recommended new make-up of components (each described in detail in subsequent report sections) is:

* **Overall Project Coordination and Facilitation (RONCO)**

This is actually more a role than a component. It would continue to be the RONCO role that permeates and propulses ZAMS as a cohesive project.

* **Hammermill Sustainability Programme (RONCO)**

This should be put on a finite time basis, probably as a three year regime, aimed at ZAMS withdrawing when it has left in place mill operators with basic maintenance and business training, trained rural mechanics to do maintenance and simple repairs, private sector workshops for major repairs, and the best possible spares' availability compatible with the objective of private sector management. VITA completes its current commitments in February 1993), and RONCO would manage the overall program. Specific contracts may be used for the participation of SIDO, VIS, district cooperatives and others. Additionally, it is recommended that the Hammermill Sustainability Programme (HSP) interlock with the Project development and promotion of other business opportunities at hammermill sites/villages. Liaison and support of nutrition (e.g. CARE/CANADA soya protein promotion) and health (e.g. USAID HIV-containment social marketing) promotion at these locales could also form collaborative part of the HSP endeavors.

* **Small Scale Rural Oilseed Pressing Programme (New International Contractor, Africare, RONCO)**

This area should undergo a major expansion as ZAMS II studies and field applications have proven the need and demand for it based on rural nutrition, income generation, and crop increase potential. It has been seen that overall component management by a contractor with time-proven, rural oil-making technical and program expertise is needed. Africare is well-situated to continue as an implementor under the direction of the firm chosen. VIS, SIDO and other national and provincial NGOs would also have important field roles to play. RONCO's role would remain at the levels of OILS involvement, engineering assistance, lab analysis, M&E, special opportunities (e.g. investments, castor oil), information dissemination (e.g. through quarterly newsletter), and the coordination and facilitation needs arising.

* **Studies (RONCO)**

A greatly enhanced studies role in ZAMS III is recommended so as to investigate, analyze and interpret the changes in dynamics as affect agriculture and agribusiness resulting from structural adjustment, new legislation, trade liberalization, institutional changes, shifts in economics' fundamentals, and other factors. In addition to those consultants (local and expatriate) hired to participate in this level of studies and in department-specific applications (ie. Training, Marketing, Engineering), needs would no doubt arise for consultant services in

special studies. Examples of this are the Investment Package consultancy which started in mid-June and the upcoming Credit Study.

* **Marketing and Market Development (RONCO)**

Under policy reform and trade liberalization, marketing and market development should play a new and pivotal role within the ZAMS Project. This component would be at the heart of promoting "catalytic action" to break marketing bottlenecks, carry out district level integrated marketing and market stimulation sub-projects, train rural NGOs in area needs & resource assessments and project management, foster exports, construct marketplaces, execute consumer preference surveys, upgrade emergent agri-business entrepreneurs' marketing skills, assist Project Engineering in agro-equipment marketing, and so on. Given the wide array of interventions this unit would make, it should highly leverage itself by working with and through NGOs, private companies, the MOCTI, training organizations; and the RONCO engineering, training, studies, consultancies, and publications components.

* **Engineering (RONCO)**

In ZAMS II the Engineering component already carved out a role for itself in interacting with light engineering firms and clients alike on agro-equipment development. In ZAMS III the new market dynamics would require a step-up of those activities as well as in providing technical oversight of market construction, rural marketing infrastructure advisory (transport, storage, roads, water), equipment standards & norms, equipment use & installation advisory, training, etc.

* **Training (RONCO)**

At this point in ZAMS' life, training needs to take on a revitalized and expanded role to meet the demands that a fluid trade and production environment will create. It is recommended that ZAMS' greatest concentration be on preparing project implementors in project management and as trainers, and in promotion via workshops on agroprocessing, preventive maintenance, investment opportunities, and marketing. ZAMS can develop and package training materials to be used both at its own workshops and for beneficiaries' use. Those involving skills' enhancement of NGOs (including district level ones) in project management, finance & accounting, proposal writing, product & service costing, area resource & demands assessments, domestic and export market surveying, sales forecasting, viability & feasibility studies, advertising & promotion, sales administration, production & quality control, etc. can figure into this program. Collaborative efforts with the oils and business advisory contractors on some modules and some workshops would avoid duplication and leverage resources.

Not to be confused with the ZAMS/RONCO training component are the specific, targeted training activities of ultimate beneficiaries to be carried out by the oilseed pressing and business advisory components of ZAMS.

* **Publications and Information Dissemination (RONCO)**

As recommended, ZAMS III would take on a greatly augmented role in the area of studies: policy change impacts, sector, subsector, comparative advantage, market research, and so forth. Many of these studies would require fairly wide distribution when they are meant to provoke action (or provide information to take right action), and should be put in concerned hands in government, the development community, and enterprise. To assure quality output, ZAMS/RONCO should enhance its capacity for editing, improving or providing graphics, printing, binding and dissemination. Furthermore, this component would have charge of publishing a recommended quarterly ZAMS newsletter, any Hammermill Programme and Engineering informative leaflets required, and training materials elaborated by Training, Marketing, and Engineering Departments. In addition, it could prepare or edit releases for newspapers and magazines.

* **Business Advisory (New International Contractor)**

Also due to the new favorable ambience for private business proliferation (aside from the inflation/credit constraints), it is recommended that a business advisory component be installed in some Provincial headquarter cities and Lusaka. It would be concerned with assisting micro and SSEs (directly and through fellow NGOs) that further the purpose of ZAMS to increase agricultural output, rural incomes, and nutritional status. Principal services to be offered by the business advisory service may be area assessments, viability & feasibility studies, training and one-on-one assistance in accounting, bookkeeping, general business management, production, materials sourcing, pricing, quality control, marketing, trade & agri-business fairs, and credit sourcing. The centers may also offer such services as secretarial, service and communications. They may participate in the planning and management of common service sites and business incubators. If and when inflation and interest indicators are normalized and the Mission approves a credit component, the business advisory could be the a principal coordinator of it, though actual fund management may be controlled through a different mechanism or agency, e.g. a bank. The contractor for the business advisory component should work hand in hand with ZAMS/RONCO, and Zambian NGOs (including the parastatal SIDO), possibly housing themselves in their provincial offices.

2. Component Configuration Rationale

The mix of components and activities recommended for ZAMS III is configured to fulfill the mandate of the Project's goals and purposes, and to be complementary inter-alia. As can be appreciated from the table below, the Project implementation covers the wide angle (e.g. impacts of policy changes, comparative advantage studies, subsector analyses), the systemic (e.g. distribution analysis, market/marketing interventions, regulatory review), large applications (e.g. specific agro-export opportunities analyses), and the direct applications at field level (e.g. oilseed processing, hammermill sustainability). All this is supported and multiplied by training and by outreach advisory, and is facilitated and leveraged by coordination and information dissemination.

C. PROJECT ORGANIZATION AND MANAGEMENT

1. Organizational Overview

The overall ZAMS organizational configuration would be similar to that which is now operational in the sense that ZAMS/RONCO would continue to be the general coordinator/facilitator and synthesizer of monitoring and evaluation, while not being in an authority position over the other two International Contractors (ICs). However, the organization should be much larger to accommodate the new and the expanded components. The top levels of ZAMS are represented in the organization chart in Annex F-4.

2. Project Management and Oversight

For purposes of day to day reporting, the ZAMS/RONCO office would coordinate with the MCTI assigned department, and RONCO and the other two ICs work closely with the Mission's Project Implementation Officer (PIO). With the studies component expanded to include more policy impact interpretation, macro-economic coverage, comparative advantage analyses, and so forth, it would be desirable to encourage the Ministry to participate more.

Activities management can be coordinated with two committees:

- * The Project Implementation Committee (PIC), composed of the Mission's GDO and PIO, the COPs of the ICs, and invited members of the IC teams and/or collaborating NGOs. The purpose of this meeting - to be held monthly - is to review Project progress and to discuss and slate new or continued activities and to maintain ZAMS on course with regard to its goals, purposes, and strategy. Furthermore, it would assure that ZAMS is properly prepared for the quarterly Project Executive Committee (PEC).
- * The Project Executive Committee (PEC), is constituted by the MCTI's Director of the Industry Department, AID's GDO and PIO, the ICs' COPs, a MAFF representative, a MOF representative, a representative of the NCDP, representatives of collaborating NGOs, and invited persons with special interests in a given session. The PEC takes place quarterly for the purposes of reviewing the immediate past quarter's activity and financial results versus projections, the M & E synopsis, the coming quarter's activities; approving project modifications; and approving/revising annual budgets and plans.

Component-specific coordinating committees should exist for training, hammermill sustainability, the oilseed program, and possibly marketing, and engineering technical assistance.

3. Monitoring and Evaluation

While each organization with a contract under ZAMS would be responsible for managing its own M&E, the ZAMS/RONCO office should continue to synthesize all participants' information for use by the MOCTI and USAID/Zambia and in general present a "common face."

4. Organizational Maintenance

An organizational scheme such as ZAMS, with several ICs on the same level and one of them having a coordinating role, is subject to disequilibrium and misunderstandings amongst the partners as well as to activities getting out of sync and/or overlapping. Likewise, it requires a little more supervisory involvement on the part of AID than if only one IC was a principal contractor. However, the concerned Mission officers have shown themselves to prefer a continuation of this approach. To keep it on an even keel, an annual workshop should be held for the purposes of maintaining and fortifying team building, and be tied to the elaboration of preliminary annual work plans and budgets. The institution of the Project Implementation Committee (PIC) would also be of help in moving ZAMS forward in a cohesive manner. Sharing of offices by RONCO and the other two international contractors would also be a positive step, in the event appropriate offices can be found.

D. RONCO

1. Organization and Management

The RONCO office itself is currently known simply as ZAMS, and that is the letterhead name used. To avoid confusing it with the ZAMS Project in its entirety, it would be better to call it ZAMS/RONCO or a name such as ZAMS Coordinating, Training, Engineering, and Marketing Unit. For the proposed organization chart of ZAMS/RONCO please see Annex F-5.

Under the recommendations contained herein, the number of employees in the ZAMS/RONCO office would grow to some 23-26 versus a current 17 (including one currently in the VIS office). Concurrent cost considerations to the employment increase would be office space, furniture, office equipment, and transport. The increased demand for consultants in major studies, marketing studies and research, and training would also entail a considerable budget increase from ZAMS II levels.

The M&E function is currently under the Training Unit. It should be separated since it covers all of ZAMS III activities.

The Hammermill Sustainability Programme may be assigned the responsibility of coordinating opportunities to expand food processing potentials of successful

hammermill operations, and to provide minor support activities for linked nutrition and health social marketing activities at these site areas.

For the purpose of closer follow-up of actual results versus those projected in work plans, it is advisable for each ZAMS/RONCO unit to devise monthly outputs projections that would tie in to monthly activities & results reports. In conjunction with this, a tightly run monthly management meeting would function to keep compliance on track. For efficiency, these can be tied directly into PIC preparations. The M&E Unit may be assigned the responsibility to coordinate this "package" under the COP's supervision.

2. Monitoring & Evaluation

The ZAMS/RONCO M&E responsibilities would continue to be at two levels: (1) the monitoring and evaluation of its own activities and (2) the reporting synthesis of M&E for ZAMS-wide activities, that is, to include those of the contractors for the rural oils and the business advisory components.

The Hammermill Sustainability Programme (HSP) would continue to require some special M&E attention and effort, with the aim of contributing data and criteria to putting the nation's rural hammermills on the most sustainable basis possible by the close of the assistance period. For this, the M&E Unit Manager should work hand in hand with the manager of the HSP Unit.

With the expansion of ZAMS/RONCO implementation activities under phase III of the ZAMS Project, internal M&E would require reconsideration and design. To avoid work duplication, it should interlock as closely as possible with each unit's monthly outputs' projections and results' reports.

3. Studies and Investigations

a. Rationale and Objectives

With the new GRZ pro-private sector orientation, backed by enabling legislation, comes a need to examine the effects that the evolving factors of the enabling environment will create and facilitate for the development of agricultural and agribusiness sectors. In most cases, the studies should include well-developed macro-economic frameworks to permit reliable interpretation and projection of constraints, opportunities, and priorities at applications levels. The objectives of carrying out studies are to (a) reveal the economic dynamics and repercussions of policy frameworks and economic fundamentals, (b) set the stage for advisors and implementors to correctly address constraints and opportunities for private enterprise growth in agribusiness, and (c) develop specific applications approaches to engender agribusiness production growth and marketing fluidity.

ZATPID's strengths in policy and economic analyses aimed toward macro and sector/subsector-wide problem resolutions, and ZAMS/RONCO's orientation toward

facilitating specific marketing system and agro-processing improvements and private enterprise growth, indicate that a closer alliance between the two on studies would yield valuable results at this juncture in Zambia's radical socio-economic change-over. It is recommended that USAID, the MCTI, the MAFF, the Ministry of Planning and National Development (MPND), and the two projects confer on what modalities the collaboration should adopt, and that these be incorporated in the ZAMS III design and, if necessary, in an amendment to ZATPID.

b. Priorities

A thoughtful prioritization plan would be needed to schedule studies in a pattern that would provide timely information for dissemination and action-taking by appropriate authorities and institutions. This would start with an overview of the present agricultural sector's structure, the GRZ's development objectives, and an assessment of study efforts required to support them. Interchange of information on studies' intentions and foci among ZATPID-ZAMS/RONCO, other development agencies, and government institutions will be essential so that (a) work is not duplicated, (b) alternative subject focus angles be considered, and (c) collaborative efforts may emerge on certain papers.

Because maize is the national staple and constitutes some 80% or more of domestic agricultural plantings, grains' sector/subsectors should be high on the priority list for re-analyses under conditions greatly altered by policy changes and drought. Infrastructural assessments may also require early attention. Comparative advantage studies vis-à-vis neighboring countries for export to them and to the industrialized countries will no doubt be of priority, given the GRZ need for and emphasis on exports.

c. Scope of Work Elaboration

A critical element to a well-directed development of the major studies should be the forging of their scopes of work and team configurations. Rationale and objectives of proposed studies may be defined at the first level by review and commentary by appropriate ZAMS, ZATPID, MAFF and MCTI staff. Then experts and/or intimately concerned parties to the nature and breadth of each proposed study should be brought in on a scope of work review. For instance, a study to be on the "National Road Transport Network: Status and Requirements" could include officers from MCTI, MAFF, Ministry of Works, National Planning Commission, major road construction donors, road construction companies, and the World Bank. Some studies may share costs and work credits.

d. Editing and Dissemination

As the studies envisioned should be meant to provide dynamic interpretation of policy and provoke positive actions, they must not only be properly designed and executed, but it is imperative that they be professionally edited, published, and disseminated. For this, it is recommended that ZAMS/RONCO have enhance its publications and information dissemination capacity (See V.D.8. below).

Beyond a well-targeted physical dissemination of studies and reports, it would often be important that publication follow-up seminars be held to crystalize commitments and actions by the appropriate agencies. The true measure of value of the studies would be in the use to which they are put, and post-publishing efforts would normally be recommended to prompt carry-through organization and actions.

e. Staffing

Primary responsibility for initiating and coordinating study activities would normally lie with the chief of party of ZAMS/RONCO.

The consultant budget for this area of activities as recommended would necessarily be enlarged from ZAMS II levels.

4. Marketing

a. Rationale and Objectives

Under the free market direction Zambia is now taking, ZAMS can finally come into its own in fulfilling its aim of serving "...as an effective vehicle to help move the economy from the inherited system based largely on marketing through parastatals toward a system in which private enterprise takes on increased marketing functions."² Obviously, a Marketing component or unit of ZAMS/RONCO should be at the heart of this effort and take this overall Project rationale as its own particular rationale.

The objectives of the Marketing Unit should be to precipitate maximum improvements in (a) marketing/trade policy and regulations, (b) physical infrastructure for marketing, (c) identification of agribusiness growth areas (domestic and export), (d) proliferation and growth of private enterprise agribusinesses, (e) solution of marketing bottlenecks, (f) upgrading of marketable product quality and value-added for both heightened domestic market share and export advantage, and (g) agribusiness management acumen. Fulfillment of these objectives are elemental to the achievement of ZAMS' stated goals and purposes.

The importance and dimension of the Marketing Unit's responsibilities dictate that it leverage and multiply its actions and interventions to a maximum ratio through studies, research, use of consultants, information dissemination, training, private and NGO implementation mechanisms; and collaboration with MCTI, MAFF, Provincial Governments, District Councils, and other ZAMS units.

² "Zambia Agribusiness and Management Support Project 611-0214" Project Paper. July 19, 1988. USAID/Zambia. P. 8

b. Activities

*** Sector/Subsector Studies Participation**

In ZAMS/RONCO's expanded role as a collaborator, investigator and interpreter of sectors and subsectors from macro through applications considerations (see section V.D.3.), the Marketing Unit should play an intellectual role in the scopes of work development, selection of participating consultants, and quality control of relevant chapters. On a selective basis (considering manpower limitations vis-à-vis the Unit's span of activities), participation as members of study teams would be desirable.

*** Identifying Marketing & Trade Policy and Regulatory Issues**

Studies to identify marketing and trade policy issues may be parts of wider studies or self-contained studies initiated by the Marketing Unit. A study of the trade, commerce, and industry regulatory codes, legislation, and environment must be initiated with the finality of (a) recommending modifications as may be needed and (b) resolving applications level difficulties.

*** Market and Marketing Studies, Surveys and Analyses**

Over the coming several years, a large number of specific marketing studies should be carried out, as determined with the development of work plans and events. As in the case of the more encompassing studies already reviewed, frequent use of local and international consultants will be necessary. These studies, surveys and analyses would probably include (but not be limited to):

- Comparative Advantage Study (vis-à-vis neighboring countries; may be done in collaboration with other Missions)
- Area Resources & Demands Assessments
- Marketing Opportunities Analyses
- Agro-Implements and Equipment Demands and Distribution Studies
- Export Market Analyses
- Export Transport, Banking, and Bureaucracy Logistics Studies
- Wholesale/Retail Distribution Studies
- Viability & Feasibility Studies
- Regional Agro-Marketing Studies (linked to marketplace construction)
- Consumer Preference (and other product development) Studies
- Marketing Strategy Studies (for emergent agri-business enterprises)

*** District Level Subprojects for Integrated Market Stimulation**

An approach with particularly potent economic impact starting at the rural level would be the fostering of district level subprojects that promote integrated market stimulation. In conjunction with an identified effective local development entity

(typically a church development office), the Marketing Unit, assisted by field research assistants, would carry out a meticulous district-wide resources & demands analysis that encompasses infrastructure, demographics, natural resources, agriculture, livestock, trade and market movement, consumption patterns and preferences, cottage industry, SSE, transport (frequencies, costs), and so on and so forth. Next, the Marketing Unit advises the implementing entity (e.g. the church organization) how to develop a project proposal to ZAMS that addresses all the constraints and opportunities. This would typically include transport, storage, value-added income opportunities, inter-village market exchange, etc. Remedial actions could include provision of regular (paid) transport to the main district town, development of a guaranteed small animals market (by providing seed goats and transport), leveling of an impassable rural road, building a basic marketplace, refurbishing or building storage silos, supporting the construction of a vegetable-cure tannery, and much more. The role of the implementing NGO is to facilitate key inputs until systems can stand on their own. The reason to make the model district-wide is to include at least one good-sized town from which the outlying areas will draw income and basic services.

The real power of this approach would probably not be as much in the one or two district level projects that ZAMS/RONCO may support as in the Marketing Unit's development of training materials, identification of the best potential implementors in (hopefully) the 57 districts of Zambia, and the holding of regional workshops on how to carry out area resources & demands assessments, develop project proposals, approach potential funding organizations, and do project management. This is on the assumption that there will be an increase of donors willing to fund such projects.

*** Regional or Provincial Marketplace Construction and Support**

The next step up, quantitatively, from the district level market and marketing stimulation approach is to collaborate (technically and financially) with municipal councils of selected district and provincial H.Q. cities/towns on the construction or refurbishment of physical marketplaces. The Marketing Unit would offer advisory assistance on linking to surrounding district supply, transport matters, storage, etc. The ZAMS/RONCO Engineer would cooperate on management of marketplace design and construction contracts.

*** Wholesaling and Export**

The Marketing Unit may eventually become involved in advising district cooperatives and produce traders on preparations, packing and transport of harvested produce to Lusaka, Copperbelt cities, and for export.

*** Training and Training Materials**

To leverage itself, the Marketing Unit should collaborate with the Training Unit for both the elaboration of training materials and by being resource people in workshops put on by ZAMS/RONCO. Modules to be developed and used include area resources and demands assessments, market research methodology and uses, project proposal

writing, sales forecasting and management, product development, feasibility studies, product testing, etc. Those to be invited to attend would be members of NGOs, trade and industry associations, MCTI, MAFF, emergent agribusiness entrepreneurs, and others instrumental in passing on or directly using agribusiness marketing skills.

*** Agribusiness Equipment and Marketing Information Dissemination**

Of top importance to the Marketing Unit should be the passing on of information gleaned through studies and application to policy influencers, business development implementing agencies, training institutions, and concerned private sector enterprises. The principal means of doing this could be through the ZAMS quarterly newsletter, contribution of articles to the national newspapers and agricultural magazines, circulation of information sheets to end distributors or end users, and ZAMS' participation in agro-industry fairs.

*** Marketing Strategy and Technical Support to Emergent
Zambian Agribusiness Firms**

In select cases, the Marketing Unit may furnish strategy and technical consultancies to promising, emergent or established Zambia Agribusiness firms in the interest of helping them protect their domestic market from imports and of preparing them to compete successfully in exports to neighboring countries. Areas to be covered would be market research (quantification, competition, quality, pricing, distribution, segmenting, niche marketing, consumer preference, packaging, etc.), product development, sales forecasting and administration, distribution, promotion and advertising.

c. Staffing

The hiring of an expatriate advisor to head Marketing is foreseen. (See Annex H). As well as needing this person of broad private sector and development experience in marketing, sales, export, research, training, project development; the Marketing Unit should have two Marketing Officers with ample experience in market research, marketing training, project management and other applied marketing skills.

5. Engineering

a. Rationale and Objectives

The Engineering Unit should play an enlarged role in ZAMS III, fitting into the slot of providing key technical support and know-how in agro-processing equipment development, distribution, use, and maintenance. In line with ZAMS III's role as a catalyst organization, Engineering should multiply its effects by working in unison with equipment producers, ZAMS' Training and Marketing units, implementing institutions such as SIDO and VIS, MAFF central and field staff, private urban food processing enterprises, and rural agro-equipment users. The objectives of this role

are to propagate the production and use of appropriate food-processing equipment and technologies, engender the adoption of a wider variety of food use, cause an upgrading of agro-product quality and value, and to thereby assist Zambia to compete better in supplying both domestic and export markets.

b. Activities

*** Research & Development**

ZAMS/RONCO's Engineering Unit should be responsive to R&D evolving needs as identified in sector studies, comparative advantage studies, monitoring & evaluation findings, and empirical observations.

The engineers may cooperate with the Bureau of Standards on agro-equipment and machinery testing, grading and publishing of results so that potential consumers may have a basis upon which to base purchase decisions and so that manufacturers will become more quality and cost conscious.

*** Light Industry**

Of special interest in ZAMS III should be the lending of critical technical information and know-how to private light industry for the production and distribution of appropriate agro-equipment and spare parts. It has been found that considerable excess machine shop capacity exists, and to this may be added privatized facilities of current parastatals, some of which have superb equipment. It is believed that ZAMS can contribute to growth of these companies in domestic and export markets for both their own benefit and that of the small agri-businesses.

*** Equipment Marketing**

Tying in to the light industry support activity should be the identification of potential rural SSEs to utilize such machinery. In this regard, the Engineering Unit would interact with the ZAMS' Marketing Unit, NGOs and other rural-oriented development bodies, the MAFF, and the producers themselves.

*** Technical Support to Studies**

Often the studies carried out by ZAMS will have a technical engineering or equipment portion that will require the participation of the Engineering Unit.

*** Training**

In ZAMS III the Training Unit will have a heavy work load, and that will include materials and instruction on production, maintenance, quality control procedures and other subjects for which the Engineering Unit should collaborate both in the elaboration of materials and as resource people for actual training sessions.

*** Technical Support to Urban Agro-Processors**

One method for the demand for various crops to be increased is to support private Zambian agribusiness companies to achieve product quality levels and production management efficiency to compete with imports, particularly from South Africa. Therefore, the Engineering Unit should provide such advisories to the larger industries in food processing, particularly those that do not have connections with sophisticated multi-nationals.

c. Staffing

Currently ZAMS/RONCO has one expatriate engineer who is able and willing to continue with the Project. To address the expanded duties under ZAMS III and to better leverage inputs, a Zambian engineer should also be hired.

6. Training

a. Rationale and Objectives

The encouragement of private enterprise to assist Zambia to move from its long-term economic walk backwards will create a proliferation of new businesses, once inflation is controlled. This creates a present need for the ZAMS/RONCO training component to enlarge its outreach and assist in entrepreneur business preparation. Within ZAMS III the Training Unit should be molded to conform to the Project rationale of serving "...as an effective vehicle to help move the economy from the inherited system based largely on marketing through parastatals toward a system in which private enterprise takes on increased marketing functions." The Training Unit should develop a strategy, materials, and schedules to fulfill its objective of preparing implementing and assisting organizations and final beneficiaries alike to successfully expand private sector participation, competency and competitiveness. As an orderly path to achievement of its objective, the Training Unit should coordinate closely with the Marketing and Engineering units on curriculum and materials development, as resource people, and for the selection of participants.

b. Activities

*** Hammermill Programme**

Under ZAMS III it is recommended that the present Hammermill Programme approach be refashioned into a sustainability program (see following sub-section V.D.7.). The Training Unit would play a very important role in preparing MAFF, NGO, cooperative, and private mechanics in maintenance, repairs, basic business management. It is of the highest importance that the hammermill operators be taught engine maintenance and imbued with an understanding that the practice of regular maintenance is the key to extending the life of the machine, and indeed to staying in business. While maintenance and basic business management would be approached

mainly on a training of trainers, or TOT, basis, engine repair training should upgrade skills of the actual mechanics who are expected to do this business.

*** Training Needs Assessments**

In preparation to embrace all the key didactic areas and application levels for private agribusiness training, particularly for SSE application, the Training Unit should design needs assessments instruments of typical small entrepreneurs and of those who will be carrying out training across the country. The latter will be trainers, business advisors and extension people of SIDO, VIS, Africare, SEP, COMET, women and church-based NGOs, and undoubtedly employees of projects and programs sponsored by international development agencies attracted by the aura of Zambia's new, favorable business and development environment. Entry level requirements would be set for participation in the various seminars or workshops.

*** Training Module Development**

As much as possible, ZAMS/RONCO should modularize its training to avoid creating too many "unique" (that is, time-heavy on preparations) workshops and seminars. From its needs assessments it will have identified the areas and levels to concentrate on. Care should be taken to do the basic well rather than becoming too expansive and sophisticated.

*** Training of Trainers (TOT)**

There should be a concentration on training of trainers. As well as being given specific training modules for them to use in courses or seminars they themselves will later run, they may need training in developing their own modules. ZAMS/RONCO would do well to also train its participants in the logistics of workshop management and on methods for encouraging the active involvement of participants in training activities.

*** Project Management Training**

With a growth in rural business support implementation will come an increased need for small NGOs (particularly church and women-run ones) to hone their skills in project management, resource & demands assessments, and proposal writing, as well as in conducting basic business training. It is expected that the Marketing Unit itself will spawn a demand for this type of guidance.

c. Staffing

As well as splitting M&E off from Training in ZAMS III, it is considered that the intensified activities will require that the Training Unit have two officers.

ZAMS/RONCO's Training Unit should contract local training institutes and individuals to the extent possible to carry much of the workshop loads.

Toward the beginning of ZAMS III, it would be advisable to contract a training specialist consultant on a short term basis to assist the Training Manager in creating the training program strategy and plan. The training component strategy must be in step with the overall ZAMS approach to achieve maximum effect. The work plan must integrate maximum leveraging of a two-person unit through assessment and use of existent local training capacity.

7. Hammermill Sustainability Programme

ZAMS/RONCO has put a great deal of effort into supporting the National Hammermill Programme with M&E, the ongoing baseline study, food processing technology assistance, National Hammermill Committee facilitation, training, and overall coordination. At the same time, ZAMS financing has been extended by USAID to VITA, VIS, and SIDO for technical support, staff salaries, vehicles and logistical support, and training. At this point, both a tightening of the exercise to put rural hammermills on a sustainable basis and to leverage on knowledge gained for rural enterprise expansion is needed.

a. Rationale and Objectives

With the rural segment of the National Hammermill Programme (NHP) nearly completed (as refers to actual hammermill placements), it is recommended that ZAMS/RONCO lead a concerted effort with the overall objective of preparing the maximum number of viable rural hammermills to survive and be profitable.

This Hammermill Sustainability Programme (HSP) may be planned as a three year subproject, after which ZAMS would withdraw, leaving mill operators with basic maintenance and business training, trained rural mechanics to do maintenance and simple repairs, private sector workshops for minor and some major repairs (it is anticipated that very major repairs would still require sending the engines to the importers' workshops in Lusaka and the Copperbelt), and the best possible spares' availability compatible with the objective of private enterprise growth.

Both to boost hammermill sustainability and to further fulfillment of broader Project purposes, the HSP should initiate and/or collaborate on analysis and promotion of additional activities, be they viable business ones (e.g. dairy feed blending, contract crop growing); facilitating ones (e.g. rural road grading, rural market start-up); or combination business/facilitating ones (e.g. rural transport, private mechanic services) in the areas of the potentially more successful mills.

b. Activities

In keeping with the objectives of the HSP, the principal areas of activity should have to do with coordination and facilitation that promote the sustainability of viable hammermills. These include the continuation of the rural mapping exercise, M&E, National Hammermill Committee co-direction (with the MCTI), and strong information and purpose coordination with the major players in hammermill distribution; namely, VIS, SIDO, IFAD, Cooperatives, AFE, SARO, Turning and Metals, etc. Interface

and information interchange with the oilseed pressing and small business advisory components of ZAMS would also be important.

Internal collaboration with the ZAMS/RONCO Training Unit and with the actual mill distributors should be a priority so that effective, efficient and widespread training of owners, operators, engineers, private mechanics, and NGO staff take place as is appropriate to them in the areas of maintenance, repairs, business, and bookkeeping.

The HSP should coordinate advisory to hammermill operators on additional uses of their mills/engines for additional business activities such as feed blending, and sorghum dehulling and milling. Other small enterprise development opportunities (especially agro-processing) should be noted for discussion with ZAMS/RONCO Engineering and Marketing units as well as with the small business advisory people, the oilseed processing contractors, and appropriate NGOs active in the area.

An important activity for the HSP should be to identify and work with local mechanics and in district/provincial towns and cities who can give adequate private service to hammermills. Devising methods to assure that frequent wear parts are stocked is also necessary.

In tune with assisting hammermills and the local populace to have an ambience to thrive in, the HSP personnel should note marketing infrastructure constraints and opportunities and report needs for demands & resources studies, road grading, marketplace/market day stimulation and support, and the like to municipal councils, and appropriate ZAMS/RONCO units and NGOs.

In keeping with the ZAMS mandate to further nutritional status in the rural areas, the HSP may advise millers and community groups of protein and vitamin additives available. It may cooperate with the coming USAID program for HIV containment and prevention by posting their information sheets when visiting hammermills.

Helpful approaches on many of the above subjects can be written up in periodic circulars to be posted in the villages, particularly at hammermill sites. Preparation assistance of circulars may be given by the Publications and Information Unit (PIDU).

The HSP Manager should contribute articles to the ZAMS Quarterly Newsletter in accordance with the objectives and audience to be defined.

c. Staffing

A person of high qualifications and experience should be recruited as manager of the HSP. He/she must have skills in project development, implementation and coordination; SSE, surveying, and writing. It would be useful to involve the VITA hammermill advisor at VIS in this overall component also. He has worked out analyses for private mechanic development as well as hammermill breakeven, cash flow, and pricing sensitivity analyses.

8. Publications and Information Dissemination

a. Rationale and Objectives

ZAMS will fulfill its goal and purposes by facilitating the growth of private enterprise in agricultural/agribusiness marketing and in the betterment of marketing infrastructures. A number of vehicles will be used for this purpose, including (a) policy impact and sector studies, (b) marketing stimuli, (c) engineering interventions, (d) training, (e) rural food security promotion, and (f) business promotion and advisory support. To enhance and multiply the impacts these approaches are capable of, it is recommended that ZAMS III strengthen its capacity to edit, improve or provide graphics, publish, bind and disseminate information and studies emanating from these sources. The person in charge of this activity should also have responsibility for the publishing of a quarterly ZAMS Newsletter designed to make known accomplishments, methods, upcoming events, opportunities and the like for the furtherance of Project aims.

b. Activities

The publications and information dissemination officer should serve the study teams, Training Unit, Marketing Unit, Engineering Unit, and the Oilseed Processing and Business Advisory components in the editing and designing of studies, reports, training materials, information circulars, and manuals. He/she should enhance the copy and the graphic appearance of said materials and documents. In determined cases, such as major studies, it may be advisable to perform high level editing and elimination of incongruencies through submission to RONCO/Washington for treatment.

This officer should coordinate The ZAMS Newsletter contents, perform editing of articles, desktop publish it, have it printed, and distribute it to designated recipients on the mailing list database it will maintain. Leading up to this, the objectives and target audiences of the newsletter would first be determined. Contents must be in conformity with the goal, purposes, and strategies of the Project. It would be advisable to contract a professional newsletter designer consultant once objectives and audiences have been defined.

It is recommended that this officer have the duty to prepare or edit releases to be made to newspapers and magazines, under the COP's direction.

This staff person would also be responsible for acquiring and maintaining materials for a ZAMS library.

c. Staffing/Equipment

The candidate for this position should have a background as a journalist or editor and be capable of editing, homogenizing writing styles, and rectifying incongruencies in studies and other materials submitted to him/her. Additionally, he/she should have the proven ability to conceptualize ZAMS' strategy and portray it in the mix of contents of the quarterly newsletter.

It is recommended to have an assistant who is accomplished in desktop publishing software use and effective graphics creation.

Essential equipment would be two computers, desktop publishing software, laser printer(s), fax board, scanner, high volume copier(s), binding equipment. The actual printing of the quarterly newsletter could be farmed out.

Funding should be considered for library acquisitions and a newsletter design consultant.

E. SMALL-SCALE RURAL OIL SEED PROCESSING

1. Rationale

ZAMS II studies and field applications have proven the need and demand for a major intensification of the small-scale oilseed pressing component based on rural nutrition, income generation, and crop increase potential (see Chapter III. A. and B., and Chapter IV. B.). Rural people face a great dietary deficit in cooking oil, and are unable to obtain it with any frequency due to lack of money (made far worse by the drought) and nearby availability. The agro-climate in most of Zambia is favorable for the growing of various oilseeds. Small holders already cultivate almost all the country's sunflower seed, the major oilseed to be used.

2. Purpose and Objectives

The principal purpose of the ZAMS III oilseed processing component should be to provide an assistance package (see "Major Activities," below) that gives farmer-entrepreneurs the capability and ability to produce cooking oil and seed cake economically for family use and for sale. The objectives of this are to (a) increase demand for oilseed crops, (b) increase rural employment, and (c) better the nutritional status in the rural areas. These objectives, then, are to fulfill Project Goals in a direct manner.

3. Major Activities

a. Area Studies

The contractor should review the ZAMS/RONCO oils baseline questionnaires and study (now under preparation) to determine if any geographical or informational enhancement is required. In addition, it should study seed growing potentials in various parts of the country, assisted by the ZAMS Engineer who has done considerable practical research on the question.

b. Seed Technology and Supply

Widespread dissemination of an acceptable hybrid sunflower seed to growers was not successful due to inadequacies of the Zambian seed distribution system. The implementor should develop an appropriate approach to assure that good seed for oilseeds of the necessary characteristics (ie. soft-shelled, high oil content) will be widely supplied and used.

c. Press Technology and Production

Though the small CAMARTEC ram press is said to be ready, ZAMS experience has shown that local production of prototypes, testing, and commercial production must be closely supervised and monitored. For the sake of competition and quality control, more than one producer must make the presses.

d. Outreach Development

The contractor should analyze those institutions and agencies present in the country for capability, outreach, and willingness to cooperate in working with the final beneficiaries in the oilseed processing component.

e. Oil Press Distribution

This activity requires particular care and includes the elements of (a) buyer qualification, (b) credit, (c) equipment training (NGO and buyer), (d) business training, (e) seed supply, and (f) ongoing extension support and monitoring.

f. Monitoring

A well-designed monitoring system must track and measure economic and social indicators and be able to correct course as the project progresses.

4. Implementation

ZAMS' experience to date has shown that success on a widespread scale would require that component or subproject management be carried out by an international firm that has proven itself with technical and program successes in oil-making assistance in countries with climatic, economic, and infrastructural similarities to Zambia. At the same time, Africare has gained important experience and is in place to quickly go to a next stage of implementation in Southern Province.

VIS, SIDO and other national and provincial NGOs would also have important field roles to play. ZAMS/RONCO's role would be at the levels of OILS involvement, engineering assistance, lab analysis, M&E, special opportunities (e.g. motorized oil expeller investments, castor oil), information dissemination (e.g. through quarterly newsletter), and the coordination and facilitation needs arising.

F. BUSINESS ADVISORY

1. Rationale

Zambia has become a country that encourages private enterprise; however, an entire generation has grown up under a system that denounced and reduced the private sector. For the same reason, there is a deficit of indigenous business advisory NGOs. To have impact at the base level of SSE formation ZAMS needs an experienced international contractor to spearhead a business advisory component that will assist development of both Zambian support agencies and small entrepreneurs themselves.

2. Objectives

The objectives of the business advisory services should be to (a) foster the growth and competency of outreach organizations to assist SSEs in agri-business and linked activities, and (b) provide direct assistance to such SSEs.

3. Major Activities

Principal activities to be developed by the business advisory service would be (a) the formation of partnerships with NGOs, (b) the carrying out of area assessments in provinces of potential target assistance, (c) selection of two or three provinces and office setup, presumably with a counterpart agency; (d) training of small business advisory collaborators in such disciplines as viability & feasibility studies, business and financial administration, production, and marketing; (e) collaborating and quality control of training of small business people in such areas as accounting, bookkeeping, business registration, general business management, production, materials sourcing, pricing, quality control, marketing, trade & agri-business fairs, and credit sourcing; (f) one-on-one business advisory; and (g) self-monitoring. Additionally, The advisory centers may also offer such services as secretarial, service and communications. They may participate in the planning and management of common service sites and business incubators. If and when inflation and interest indicators are normalized and the Mission approves a credit component, the business advisory may be a principal coordinator of it.

4. Implementation

The contractor for the business advisory component should work hand in hand with ZAMS/RONCO and Zambian NGOs; including VIS, SIDO, SSIAS, CUSA, SEP, women organizations, church agencies, and cooperatives. Collaboration should also take place with Africare and the other oilseed processing contractor, MAFF (particularly at the provincial level), MCTI, Lima Bank, and DBZ. As well as an office in Lusaka, the business advisory will have presence in two or three provinces. Sharing of offices in provincial locations with an indigenous NGO may be desirable.

G. VITA/VIS

1. Completion of ZAMS II Contracts

The VITA role and related recommendations for institutional strengthening carry-through with VIS have been aired in Chapter III.C. These would take VITA up to termination of that contract with USAID. In the event that an impasse is reached in VIS fulfillment of accounts' clarification and benchmark achievements, it may prove necessary to curtail the remaining periods of the VITA and VIS institutional strengthening agreements. In the interest of supporting Zambian NGO capacity to meet the challenges of the 90s, however, all efforts should be made to arrive at a mutually beneficial understanding.

VITA has a current agreement valid to 2/93 to support the VIS hammermill program. The VITA advisor has skills and experiences that will be valuable to ZAMS/RONCO for the Hammermill Sustainability Programme (HSP). It would be of great assistance to this wider effort if a contract amendment were to allow the advisor to split his efforts between VIS and support to the HSP for the remainder of his contract.

2. Potential ZAMS III Relations

Assuming that VIS and USAID resolve current differences, VIS will have a role to play in the coming phase of ZAMS, in particular, training by contract related to the hammermill, oilseeds, marketing, training unit, and business advisory components. A strong provincial link may develop between VIS and the contractor overseeing the business advisory and outreach segment.

H. SIDO

1. Completion of ZAMS II Contract

The current local currency contract for training between SIDO and the Mission has a PACD of December 30, 1992 and most of the K21.6 million remaining as workshops just started in May. ZAMS/RONCO should continue to coordinate with SIDO for training effectiveness and to avoid beneficiary overlap with the overall HSP.

2. Potential ZAMS III Relations

As will have been noted throughout this chapter, it is expected that there will be a stronger relationship between SIDO and ZAMS during the coming phase. Collaboration opportunities are present in training, client outreach, business promotion, provincial co-implementation, etc. As in the case of VIS, the question of present weak accounting and finance practices would have to be defined and adequate systems made operative before entrusting any discretionary work to SIDO.