



7250 Woodmont Avenue, Suite 200, Bethesda, Maryland 20814 USA
Tel: (301) 718-8699 Fax: (301) 718-7968 Email: info@dai.com Website: www.dai.com

The Zimbabwe LEAD Program

(Linkages for the Economic Advancement of the Disadvantaged)

Annual SpO and IR-Level Results Performance Report: 2001

Author's Name: Paul Bundick and LEAD staff
Title: Annual SpO and IR-Level Results Performance Report: 2001
Project: Linkages for the Economic Advancement of the Disadvantaged (LEAD)
Contract#: 690-C-00-01-00125-00
Sponsoring Office: USAID/Zimbabwe
Contractor: Development Alternatives, Inc.
Date of Publication: 3/4/2002

The Zimbabwe LEAD Program

(Linkages for the Economic Advancement of the Disadvantaged)

Annual SpO and IR-Level Results Performance Report: 2001

Prepared by:
Development Alternatives, Inc

Submitted to:
USAID ZIMBABWE
Contract # 690-C-00-01-00125-00

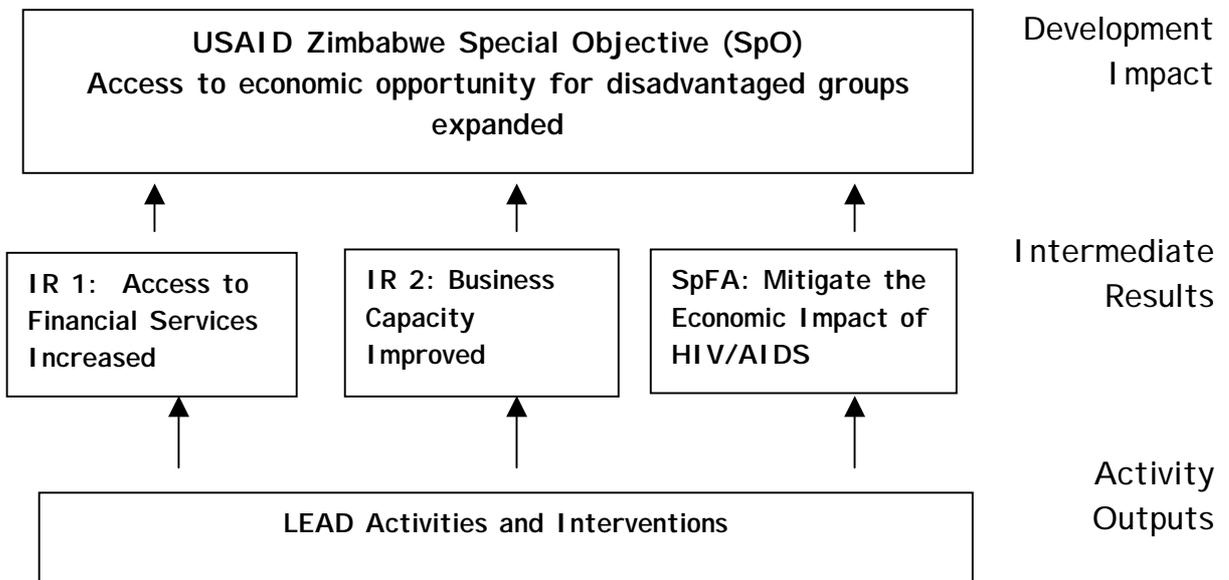
First Draft: January 8, 2002
Second Draft: February 15, 2002
Third Draft: March 4, 2002



7250 Woodmont Avenue, Suite 200, Bethesda, Maryland 20814 USA
Tel: (301) 718-8699 Fax: (301) 718-7968 Email: info@dai.com Website: www.dai.com

1. Introduction

This report summarizes progress achieved by Development Alternatives Inc. (DAI) from May to December 2001 in relation to USAID Zimbabwe's Special Objective (SpO) under its **Linkages for the Economic Advancement of the Disadvantaged (LEAD) Program (USAID contract 690-C-00-01-00125-00)**. LEAD's purpose is to improve the lives and livelihoods of disadvantaged groups in Zimbabwe living outside urban centers by increasing access to new income earning opportunities and to ease their hardship made worse by the deteriorating economic situation and the devastating effects of the HIV/AIDS epidemic. LEAD's purpose ties directly into USAID Zimbabwe's Special Objective (SpO) of expanding access to economic opportunity for Zimbabwe's disadvantaged groups (the poor and HIV/AIDS affected). The program logic is given in the diagram below.



Typically the SpO annual performance report addresses LEAD's progress at the level of intermediate results and development impact and not activities or outputs. The latter are reported in the regular LEAD quarterly reports.¹ The purpose of the annual report is not to rehash the long list of outputs, but rather to focus on the question: What contribution has LEAD made this year towards achieving the three intermediate results (IRs) and subsequent impact on the lives of disadvantaged Zimbabweans? In this start-up year however, this rule will be relaxed. Outputs will again be summarized with special focus on the level of intermediate results. Impact data, however, will not be collected until the end of 2002.

¹ See LEAD's quarterly report (October-December 2001) for details.

2. Overview of Performance (May to December 2001)

A. "Strategic Positioning"

LEAD began in May 2001. This report covers the first eight months of implementation. The early months were naturally devoted to start-up concerns such as procurement, office renovation, planning, staffing, organizing, grant-making and contracting procedures and setting up the LEAD management information system. Not enough time has elapsed to speak of major results or impact (though some early results are presented in Section 3). But during this period, LEAD was able to successfully position itself strategically to achieve significant results in 2002. This is the major performance indicator for 2001.

By "strategic positioning" we mean adopting a more integrated commercial linkage strategy able to deliver tangible economic opportunities in the near term for the growing numbers of marginalized persons and vulnerable households. Many of the LEAD activities set forth in the initial workplan were geared towards longer-term institutional building objectives to support overall industry development especially in the microfinance sector. In the context of deteriorating economic and political situation in Zimbabwe, however, many of these activities no longer made sense in the short term. By October 2001, LEAD was able to flexibly modify its original approach and adopt an "all out" crisis mitigation strategy for 2002.

The LEAD crisis mitigation strategy places disadvantaged groups at the center of the implementation paradigm. Disadvantaged groups are defined as peri-urban and rural Zimbabweans earning incomes below the poverty line. These include many unemployed, underemployed, small-scale farmers, farm workers, women, youth, especially orphans and others affected by HIV/AIDS and/or poverty. Our current approach creates near-term economic opportunities for the disadvantaged by first linking them to new and more profitable markets, and as needed, leveraging or building in access to finance and other services (e.g. organization development, business or technical training) to help them improve their lives and livelihoods. The approach integrates all three intermediate results within a single intervention: access to finance, business capacity and economic mitigation for HIV/AIDS households. Every commercial linkage intervention will have multiple effects at the "intermediate results level".

B. Progress in Commercial Linkages

As 2001 came to an end, five commercial linkage programs with a potential to increase the income of more than 130,000 smallholder peasant farmers (over the life of the project) were in the final stages of development. By the end of they year, two

commercial linkage projects (guar bean and black-eyed peas) had already involved outgrowers in the production process. Two additional projects (goats/sheep and ostrich) were on the verge of start-up. A sizeable contract to train smallholder cotton growers in better business practices was in the final stages of negotiation. A pipeline of over 15 other projects, covering all sub-sectors of the economy ranging from agriculture to tourism, are at various stages of negotiations with at least 10 expected to become operational during 2002. The five linkage projects are summarized below.

1. Cotton

COTTCO, the largest cotton marketing company in Southern Africa, has teamed with LEAD to design and deliver business competency training to over 90,000 smallholder farmers in remote and poverty stricken districts of Muzarabani and Gokwe during the next four years. LEAD, with the support of a local sub-contractor and in conjunction with COTTCO and other interested stakeholders, will develop and refine the course curricula. COTTCO extension agents, with the support of farmer group leaders, will deliver the course to targeted clients. Using conservative assumptions, net income to smallholders through the training will increase by over Z\$266 million annually.

2. Black-eyed Peas

Agri-Seeds, the largest smallholder crop marketing company in Zimbabwe (after COTTCO), has agreed to partner with LEAD along with a Belgian NGO (VECO) to introduce black-eyed peas to 1600 small scale dry-land farmers in three districts of Zimbabwe over the next two years (one of these districts, UMP, has nearly 50% food insecurity). Black-eyed peas, a variant of the traditional cow-pea, have a strong market in South Africa, and offer the farmer returns in excess of 200 percent. There is strong scope for expansion beyond the initial 1600 farmers to serve markets in Europe and North America.

3. Ostrich

P.T. Royal Ostrindo, a joint venture between Indonesia and Zimbabwean businesses, has agreed to a contract ostrich outgrowing program in rural Matebeleland North that will provide 220 peasant farmers with increases in net income of nearly Z\$20 million annually. The activity has the potential of expanding to over 5000 peasant farmers by the third year. Because of its high profitability for small holders, this program has great multiplier effect in terms of stimulating the formation of ancillary support services (in construction, water supply, feeding and micro-finance services).

4. Goats and Sheep

NASHGO, the largest buyer of sheep and goats in Zimbabwe, has partnered with LEAD to establish a sheep and goat-buying program in semi-arid southern districts of Zimbabwe, Gwanda South and Beitbridge districts. These are both persistent food insecure areas of Zimbabwe and have few alternative business opportunities. As a result, a high percent of the working age population are illegally working in South Africa and women or the elderly persons manage most households. Through offering a guaranteed market, facilitating the introduction of improved breeds, grading, and animal husbandry practices, this linkage project is expected to involve over 15,000 small livestock farmers and net them approximately Z\$70 million annually.

5. Guar Bean

LEAD has assisted 800 microenterprise farmers to earn approximately Z\$6 million from guar bean sales. Mining companies use guar bean resin extensively in their extraction operations. The bean can be easily grown under semi-arid conditions and is an ideal crop for smallholder farmers because it is easily grown with minimum inputs and can be intercropped with other crops such as cotton. As a legume it also improves the nitrogen content in the soil. LEAD help facilitate farmers selling their crop to an agribusiness intermediary that buys the beans and subcontracts the processing of beans into resin for sale to the mining companies, in this case Bindura Nickel (part of Anglo American). Guar bean has real potential to help as many as 20,000 small holders in Zimbabwe earn a much better livelihood if the processing of the resin can be done in Zimbabwe on a commercially viable basis. LEAD also approached the African Project Development Facility (of IFC) to undertake a guar bean processing feasibility study. If shown to be commercially feasible, guar beans production can be greatly expanded under a LEAD linkage program in 2002-3.

C. Microfinance

As stated above, finance is a part of most commercial linkage projects. During 2001, LEAD was able to facilitate nearly Z\$ 6 million of in-kind credit for smallholder farmers in the guar bean and black-eyed pea outgrower schemes. As much as 50 times that amount of in-kind microfinance through commercial linkage projects is expected in 2002.

In the area of "classic" microfinance, LEAD selected four MFIs in 2001 through a process of competitive biddings as willing and able to expand their programs to the peri-urban and rural areas in the economically depressed 5 provinces of Zimbabwe--Masvingo, Midlands, North and South Matebeleland and Manicaland. The MFIs selected were Pundutso Microfinance Private Limited, a local partner of World Vision; Zambuko Trust Private Limited a local partner of Opportunity International; Women Development and Savings Cooperative and Collective Self Finance scheme both local

organizations of good repute. Detailed business proposals with input from the LEAD Microfinance Manager are in the process of development and will be complete by end of January 2002 leading to the signing of Grant Agreements scheduled for February 2002. These four MFIs are expected to reach more than 6,000 new clients (about a 15% increase in the classic microfinance industry client base) and introduce three to four new products in 2002.

One of the key constraints in Zimbabwe to the expansion of classic microfinance is access to capital. To increase the amount of available loan capital, LEAD negotiated a partnership with the Social Development Fund (SDF), a department of the Ministry of Public Service, Labor and Social Welfare. Negotiations are complete and the signing of the Memorandum of Understanding (MOU) is expected before the end of January 2002. Signing the agreement with SDF will enable MFIs that are working with the LEAD Program to access soft loans from SDF. SDF Revolving Loan Fund is capitalized to the tune of above Z\$300 million and receives allocation from the Government of Zimbabwe Annual National Budget.

During the same period under review, LEAD negotiated and signed an agreement with a Dutch NGO, HIVOS to provide capacity building support to the Zimbabwe Association of Micro-Finance Institution (ZAMFI). ZAMFI is an advocacy body representing over 50 micro-finance practitioners in Zimbabwe and seeks to introduce Micro-finance best practices among its members. LEAD will provide grant funds in support of ZAMFI's programs while HIVOS will cover operational activities i.e. salaries and equipment. Program activities to be funded by LEAD will include the development of standards, prepare "ground work" for self regulation and the adoption of "cutting edge" policies and practices to address HIV/AIDS pandemic through a recently LEAD initiated Microfinance/HIV/AIDS awareness forum.

D. Economic Mitigation of the HIV/AIDS Affected

In 2001, LEAD awarded a contract to Junior Achievement Zimbabwe (JAZ), a local partner of the USA based Junior Achievement International, to provide 40 youth entrepreneurship training programs to over 1,200 youth in peri-urban and rural environs of Chipinge. The economic concepts and entrepreneurial skills taught in the JAZ Company programs empower young people to solve their own problems, develop leadership skills, identify opportunities and create jobs for themselves and others. Youth remain a critical target group for HIV/AIDS economic mitigation. All are high risk of becoming infected while a significant percentage comes from affected households. Under LEAD support, the materials and implementation approach are being adapted to rural and peri-urban settings and the programs established will not be liquidated after completion but will be allowed to continue to grow supported by commercial sources of funding including micro-finance. The program will be

implemented and evaluated in 2002 and if found successful, the Chipinge model will be replicated all over Zimbabwe, starting with expansion into rural Matebeleland by end of 2002. A special action research project has also been set up in cooperation with University of California San Francisco research team to understand the effects of increased economic opportunity on risky- behavior among youth especially young girls in relation to the “sugar daddy” phenomena.

LEAD under the SPFA program has laid group work for the launch of the legal Services Voucher Program. The groundwork included identifying partners committed in participating in the activity and carrying out products or services required by clients. This program will enable HIV/AIDS affected people who are members of “Post VCT clubs to access critical legal services for wills and property rights at reduced prices. The objective of this intervention is to safe guard family assets so that they could benefit orphans whose parents have succumbed to the HIV/AIDS scourge. The stage is now set for the final preparatory phase, before the launch of the program within the first quarter of this year (2002).

E. Performance Monitoring Plan (PMP)

The Performance Monitoring Plan for LEAD was also completed in 2001. This document sets out the “results indicators” and development impact measures and approaches for collecting the essential data. LEAD will request proposals in early 2002 to pre-qualify a number of monitoring and evaluation companies that LEAD hire to collect data and do impact studies. The implementation of the above-mentioned grants and contracts along with the development an additional 15 projects already in the pipeline (See LEAD’s 2002 workplan for more detail) will yield significant results in 2002.

3. Intermediate Results (Early returns)

The following tables provide early returns on intermediate results as set out in the Performance Monitoring plan. These are not anticipated results for next year but results achieved in 2001.

IR1: Access to Financial Services Increased

| Results Indicator | Results Achieved | Comment |
|---|---|--|
| New clients accessing classic microfinance services | No loan disbursements will be made until 2002 | However, 6000 new classic MFI borrowers are anticipated from contracts and grants negotiated during 2001 |

| | | |
|---|---|---|
| New clients accessing microfinance on commercial linkage programs | 1900 smallholder farmers received input credit for seed | 800 guar bean and 1100 black-eyed pea outgrowers are the first LEAD assisted smallholder farmers to receive in-kind credit. |
| Value of microfinance services accessed in 2001 Z\$ | Z\$590,000 | Guar bean (Z\$200,000) and black-eyed pea outgrowers (Z\$390,000) worth of in-kind credit disbursed |

IR2: Business Capacity Improved

| Results Indicator | Results Achieved | Comment |
|--|-----------------------------|---|
| New clients linked to markets | 800 | Guar bean outgrowers sold their crop in 2001. Black-eyed pea growers will not harvest and sell until 2002. |
| Value of revenue earned by clients | Z\$ 6,000,000 plus | Revenue earned by guar bean outgrowers |
| Number of clients acquiring improved management and technical skills | None before the end of 2001 | In December 2001, LEAD awarded a contract to Junior Achievement Zimbabwe to provide 40 youth entrepreneurship training programs to over 1,200 youth in peri-urban and rural environs of Chipinge, |

SPFA: Mitigate the Economic Impact of HIV/AIDS

| Results Indicator | Results Achieved | Comment |
|---|---|---|
| Number of individuals accessing HIV/AIDS related economic mitigation services | 475 HIV/AIDS affected households assisted | Number based on the conservative assumption of a 25% infection rate for sexually active adults in the rural districts where guar gum and black-eyed peas are being grown. |

4. Impact

There is no impact data ready to report in 2001. Impact data will be collected and reported in December 2002 at the client level. LEAD will undertake studies of the individual and household impacts of participation in market linkages for producers and their families. On each linkage deal, a number of households will be randomly selected and interviewed to establish a baseline, then re-interviewed after the first and second production cycles to establish household-level impact. The impact of

LEAD's access to economic opportunity for disadvantaged groups expanded will be partially measured by:

- Household income gains
- Improved household asset security and
- Reduction in vulnerability

Our mainstream commercial linkage projects will have a major impact on economic mitigation of HIV/AIDS. We will measure this impact in two ways:

First, we will obtain the best possible prevalence data for the project areas in which we work. From these numbers, we will statistically infer HIV/AIDS impact at the household level in our project clients.

Second, we will commission specialized surveys of random samples of our project clients, to see the impact of the intervention in more detail, at the real household level. The design and delivery of such a questionnaire will demand cultural, political, as well as technical understanding. Although time consuming and expensive, such surveys are the only way to conclusively prove - or disprove -- the strength of the integrated business development strategy.

5. Performance Issues and Management Response

The most salient challenge facing LEAD's performance in 2001 was the highly charged and fluid political situation. Many commercial buyers and NGOs opted not to deploy staff and resources in the rural areas because of the political unrest and turmoil. Moreover, no one can predict the outcome and fall out of the upcoming elections and what it will mean for the future of Zimbabwe. Uncertainty makes it difficult to plan for results. LEAD's performance is subject as well to this uncertain political and economic environment. The management challenge is to flexibly "keep on keeping on", adapting the best we can to the changing circumstances and priorities.

2002 promises to be an exciting and challenging year for USAID/Zimbabwe SpO Team, LEAD Team and its counterparts and above all to clients as the programs activities expand access to economic opportunity for tens of thousands of disadvantaged Zimbabweans.