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ZAMBIA
AGRICULTURAL SECTOR
ASSESSMENT AND STRATEGY

Contract No. PDC-5451-I-00-1026-00
Delivery Order No. 26
Rural & Regional Income Generation &
Resources Management IQC

Submitted to:
United States Agency for
International Development/Zambia
Lusaka, Zambia

CHEMONICS

Submitted by:
CHEMONICS INTERNATIONAL

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February 23, 1993

PREFACE

This assessment of the agricultural sector in Zambia was prepared by Chemonics International Consulting for USAID/Zambia. The document is part of a series prepared for USAID as it develops its Country Program Strategy Plan (CPSP) for the 1993-1998 period. The assessment was conducted over two field visits to Zambia on December 3-21, 1992 and January 5-21, 1993. The principal author of the report was Donald G. Brown, agricultural economist. He was assisted during the initial visit by James Chapman, agricultural economist, and William Kedrock, agribusiness specialist.

The team would like to give particular thanks to William Whelan, agricultural economist, USAID/Zambia, for the many hours spent providing counsel and assistance to the team in this endeavor; and to Fred Winch, Mission Director, USAID/Zambia, for his many insightful suggestions. Other members of USAID/Zambia's staff provided useful guidance and support. These include John Wiebler, Program Officer, John Foster, Agricultural Development Officer, and Val Mahan, General Development Officer.

Given the necessity of gathering information and forming impressions within such a short time, it was necessary to rely on secondary data. Under these circumstances, factual errors and information gaps are possible, which are the sole responsibility of the team members. The opinions expressed in the report are those of the team, and do not necessarily represent those of USAID or the U.S. Government.

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LIST OF ACRONYMS

BSA	British South Africa Company
CG	Consultative Group
CIDA	Canadian Aid Agency
CIP	Commodity Import Program
CPSP	Country Program Strategy Plan
CY	Calendar Year
EEC	European Economic Community
EOPS	End of Project Status
EOTS	End of Transition Status
ERP	Economic Recovery Program
FAO	Food and Agriculture Organization
FY	Fiscal Year
GDP	Gross Domestic Product
GRZ	Government of the Republic of Zambia
ha	Hectare
IBRD	International Bank for Reconstruction and Development (World Bank)
IFPRI	International Food Policy Research Institute
IRD	Integrated Rural Development
km	Kilometer
MAFF	Ministry of Agriculture, Food and Fisheries
MMDP	Maize Market Decontrol Program
mt	Metric Ton
NGO	Non-governmental Organization
NORAD	Norwegian Aid Agency
NPA	Non-project Assistance
PD&S	Project Development and Support Funds
PFP	Policy Framework Paper
PID	Project Identification Document
PPM	Program for Prevention of Malnutrition
PVO	Private Voluntary Organization
R&D	Research and Development
SIDA	Swedish Aid Agency
SIP	Sector Investment Program
TA	Technical Assistance
UN	United Nations
UNDP	United Nations Development Program
US	United States
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
WFP	World Food Program
WID	Women in Development

ZABS	Zambia Bureau of Standards
ZAMS	Zambia Agribusiness and Marketing Support
ZATPID II	Zambia Agricultural Training, Planning and Institutional Development II
ZCF	Zambia Cooperative Federation

EXECUTIVE SUMMARY

Zambia's economy and political structure are undergoing dramatic change, the extent of which has few parallels in Africa. They are on the same scale as those in Eastern Europe and the former Soviet Union, and hold the same opportunities and dangers for the country.

The modern history of Zambia is in large part a steady progression towards greater state control of the economy (by 1991, some 80 percent of all economic activity was in state hands), and greater political control by a single political party. Its economic philosophy was built on African socialism. The economy was based on a single commodity—copper—and failed. Agriculture was based on a single crop—maize—which distorted prices, created huge subsidies, depleted the soil, and yet did not provide food security.

In the past year or so, all this has started to change. A profound political and economic transition is now taking place. From state control the economy is privatizing. A single political party has given away to a multi-party democracy. And the flawed economic philosophy of African socialism has given way to a liberal competitive marketplace. Nowhere have these changes been more pronounced than in the agricultural sector.

The agricultural sector is Zambia's single best avenue to economic growth and well-being, especially since its economic history has been tied to copper, which is in decline. The country's known copper reserves will last until about 2010. While there is some expectation of finding additional ore deposits, they have yet to be mapped or exploited. Even if major reserves of copper are found, though, Zambia's economic needs outstrip what they alone could provide.

The agricultural sector has historically provided about 15 percent of Zambia's GDP. This figure, however, masks agriculture's real importance in the economy, because related activities make up most of the manufacturing, transportation and service sectors. Since 1986, the sector has performed better than most other sectors in the economy despite a serious drought and an extremely restrictive economic environment. Some constraints on the agricultural sector included distorted prices due to pan-seasonal and pan-territorial price fixing, a prohibition on exports of maize, export tariffs, and—most inhibiting of all—a seriously overvalued exchange rate. These restrictions are now gone.

Great economic potential exists for the agricultural sector in Zambia. The farmer-to-arable land ratio is one of the lowest in Africa. Zambia has a vast agricultural land resource base, of which only 20 percent is presently utilized. There is a dynamic and modern commercial farming sector, capable of responding rapidly to improving economic conditions, and capable too of rapid transfer of capital and technology. In addition, through contract farming, these benefits can be spread to the much broader base of emergent smallholder commercial farmers. Finally, Zambia's good geographic position vis-à-vis her wealthier neighbors to the south makes her a potential important food exporter for the region.

These inherent advantages, coupled with the lifting of restrictions on the agricultural sector, invites the conclusion that it is the fastest source of economic growth in the economy, essential to the future of Zambia. Long term decline in the economy has resulted in deteriorating social and welfare structures, and a disquieting outbreak of AIDS demands increased social costs. Rather than be dependent on the fickle generosity of donors, Zambia needs economic growth and expansion. Empirical data from most of the "economic tigers" of Southeast Asia indicates that their rapid economic growth started with agriculture. There have been no economic tigers in Africa, but Zambia could possibly be the first if the economic transition now taking place succeeds.

This assessment and strategy took place in such an economic and political setting. The analytical framework, taking this background into account, revolves around the goal of a successful transition to a market-based agricultural sector.

The analytical framework. The purpose of this assessment and strategy is to provide the USAID/Zambia mission with suggested options for its short range programming in the agricultural sector through a multi-faceted analysis. It focuses on events since the October 1991 multi-party elections, which provided a catalyst for the shift to an open-market system. The framework consists of a marketplace matrix, reviews of the capabilities of the public and private sectors, and a scenario of near term events of the transition.

Marketplace matrix. Taking as a goal the successful transition to a market-based agricultural sector, the team developed a matrix to assess program activities necessary to support this goal. On the vertical axis are attributes of a competitive, open-market agricultural system in Zambia; on the horizontal axis are evaluations of the present status of each of these attributes. The matrix in effect shows the present situation compared to a competitive market in the agriculture sector. The results indicate how far Zambia needs to go to fully implement this transition.

Current public sector capabilities. For the last 25 years, the public sector's institution selection, training, and instincts have all been directed toward a command-driven agricultural economy. Unfortunately, plans to change agricultural public sector institutions and their *modus operandi* are nonexistent.

The public sector in agriculture is large and bloated, with a very thin top layer of highly talented and committed officials dedicated to moving towards a market-based economy. The average bureaucrat, however, has not yet been engaged in this process. In addition, the public sector is overstaffed and under-funded. Needed reforms will result in large-scale redundancies of public sector employees, touching off social and political unrest.

In summary, the public agricultural sector is not yet equipped to carry out its role in a market economy. Even if roles were clearly defined and understood, problems related to overstaffing, under-training, and under-financing would still inhibit performance.

Current private sector capabilities. The Government of the Republic of Zambia (GRZ) has over the past quarter century directed a command economy where it controlled

not only the parameters of the market but also the markets themselves. This intervention has left the Zambian private sector, including agriculture, unevenly prepared to assume new roles. Conducting business in the "new" Zambia will require innovative ways of thinking about business, creative problem-solving, new policies and regulations, restructuring, retrenchment of the public sector, and expansion of the private sector.

Commercial farmers and bankers, who operated outside the government-controlled economy to a greater degree than most, are better prepared and capable—market-tested—to conduct business in the "new" Zambia, while others, like truckers, millers, and traders, who operated at the fringes of or well within the government controlled economy, face several deficiencies: lack of market orientation, limited market information, restricted access to finances, inappropriate management skills, too few managers, and inappropriate asset base.

Scenario on transformation of the agricultural sector. The scenario is divided into three parts: the impact of reforms on farming practices in the country; the related transformation in the agricultural support system, i.e., transportation, milling etc.; and the general impact on the social and economic structure of the economy. From our scenario it appears that short-run winners will include commercial farmers, commercial banks, the informal sector (small scale trucker, processors, traders), importer/exporters, and possibly the emergent farmers. Initial losers could include farmers in outlying areas, government employees, parastatals, consumers, and the very poor.

Conclusions from the analytical framework. The analytical framework prompts consideration of seven program options that can be divided into three groupings—marketplace development, transition management, and political stability. Within the marketplace development grouping are four program options: rural marketplace development, market-oriented legal structure, development of the land market, and enterprise training and development. There are two program options under the transition management grouping, agricultural sector transition support, and reform of the Ministry of Agriculture. Under the political stability grouping there is one program option, vulnerable group food support.

Proposed action for the future. It is up to the mission to rank priorities and make final decisions regarding funding for options presented in this assessment. It provides substantive information to facilitate this task. Nevertheless, in reviewing the options, the assessment team recommends the following priorities and actions.

Immediate attention should be placed on three options—transition management, marketplace development, and an initial study of the land tenure situation. For the transition to succeed, decisions related to these changes must be based on sufficient market-related analysis and theory. Over the next two to three years the transition process will either take hold and become a catalyst for sustained economic growth in the sector, or it will falter and collapse. It is critical that USAID, at this time, continue its direct and unbroken support of the transition process.

Marketplace development is a high priority primarily because the agricultural sector will need resources in addition to market incentives to take full advantage of the changing

economic environment. The long history of state control over the agricultural sector has left the sector poorly prepared to effectively benefit from new market opportunities. The defunct former state marketing structure will not be quickly replaced by the private sector.

Development of a land market and reform of the land tenure system are medium term constraints but will require a long time to fully implement. Fortunately, the government is seeking to deal with this issue as soon as possible. For these reasons, making studies and providing support to the government on land tenure issues have top priority.

In considering a potential second phase operation in FY 95 and beyond, the mission should look at actual implementation of on-the-ground activity in support of land market and tenure systems which would take place after initial analysis of the systems is complete and necessary policy issues are identified.

The legal structure regarding commercial law and contracts is of paramount importance to the agricultural sector, but it would seem logical to fold this activity into the mission's democracy and governance programs. This issue cuts across the entire economy and represents one of the most far-reaching legislative and regulatory issues facing the country.

Likewise, enterprise development would probably be better handled in the context of the mission's privatization portfolio. This activity also spans all sectors of the economy and would be directly supportive of the privatization efforts.

A food security safety net is needed to help maintain political stability during the transition. It is basic to the success of the transition and to equity in sharing the sacrifices transition will require. While not necessarily having to directly implement a food security program, the mission, through its policy dialogue, needs to ensure that an effective system is in place.

Reform of MAFF is the final option in the assessment, and is essential for the eventual full transition to a market-based agricultural economy. It is a medium- to long-term consideration.

The assessment has one final recommendation: with the rapid changes now taking place in the sector, it is important that USAID remain close to both the government and the emerging private sector to know what they are thinking. The agricultural task force set up though MAFF appears to be an effective way of staying on top of developments. It is moreover vital, no matter what option is involved, for an unwavering Zambian commitment to it, be it government or private. This is key to the success and sustainability of any action the mission will take in the country.

SECTION I

ZAMBIA AGRICULTURAL SECTOR ASSESSMENT AND STRATEGY

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Zambia's agriculture is undergoing profound changes, part of the general reforms of the country's economic and political structure following the October 1991 multi-party elections. This election was the pivotal point in the process to dismantle the state-controlled economy and to begin the transition to a democratic, pluralistic society and a competitive market economy. These changes, with few parallels in Africa, are on the same scale as those now occurring in Eastern Europe and the former Soviet Union. For a better understanding of how momentous these changes are, we will summarize the historical background of agriculture in the nation's economy, the uniqueness of the agricultural sector, and the potential for growth.

A. Historical Background of Agriculture in Zambia's Economy

A basic orientation of Zambia's political leaders towards agriculture has its roots in the colonial period. The British South Africa (BSA) Company had, by 1900, been given a crown charter to administer the territory that would become Zambia, and held this charter until 1924 when the British government took direct control of administrative matters in the colony. BSA Company was primarily interested in minerals to provide profits to its shareholders, and so initially discouraged farming to avoid giving up potentially mineral-rich land. By the 1920s, however, it had located few mineral deposits and began to look toward European farmers migrating to the area as a source of revenue for the company as well as for the railway it had constructed to the Katanga mines. In addition, BSA saw the sale of land to these European settlers as another source of income.

The view of agriculture formed at that time played an important role in Zambia's agricultural policy for years to come: a plentiful supply of cheap food was essential for the development of a competitive mining industry. This placed emphasis on the urban and mining sectors with agriculture playing a subservient role, a view which persisted among Zambian leaders until the recent reforms.

The neglect of agriculture was paralleled by the accent on copper. At independence, the mining sector accounted for nearly half of the GDP of the country. In the initial years after independence until about 1974, such lopsided economic policies seemed to make sense, with strong copper prices and expanding copper exports. In the midst of this heady period, in 1968, the Government of the Republic of Zambia (GRZ) issued the Mulungushi Declaration that started the process of state dominance over the economy. As it turned out, it was (as noted in a recent World Bank Report) a period of "false prosperity, missed opportunities, and a transition toward a state-controlled economy." From 1974 on, the copper bonanza began to fade.

In that year, world copper prices plummeted from the 1966 high of over $2.00 per pound to less than $1.00. Not only were prices falling, but so was production. From an average of 700,000 mt/year, production dropped to less than 400,000 tons in 1991, and within five years this level is expected to dwindle to 200,000 tons. By 1975, the mining sector share in GDP had fallen from 40 percent in 1965 to 14 percent. In 1991 it was down to 7.3 percent, a sixth of its prior level.

When copper revenues slid, government revenues fell, and the country began a twenty year slide into indebtedness and poverty. In 1965 Zambia's per capita income was $540 (constant 1977 dollars); by 1991 this figure had fallen to $310. Social and welfare indicators also suffered, mirroring the decline. The government's response was to tighten its control of the economy, which led to decreased economic efficiency and an aggravation of the situation.

The importance of copper to the national economy is expected to continue to decline over the next 10-15 years. The present mines are nearing depletion and suffer from the recent lack of investment. An investment of up to $1.5 billion will be needed to rehabilitate existing mines and develop new ones.

As copper has declined in importance, agriculture has gained, but its value has only recently been recognized by national leaders. For most of Zambia's history, agriculture has been viewed as a single crop—maize.

Maize accounts for 70 percent of the land area cropped and almost 85 percent of crop production in the country, partially due to government policy that promoted maize production to achieve self-sufficiency. Two forces were at work here: first, continuation of a "cheap food" philosophy to satisfy the urban and mining sectors, and second, further expansion of direct government intervention in the economy. Measures taken included pan-seasonal and pan-territorial price fixing for maize and fertilizer (a principal input in maize production), export restrictions, subsidized consumer prices, and the establishment of a vast network of government-controlled cooperatives for input supply and collection. In addition to encouraging maize production, government policy also discouraged production of other crops through artificial price distortions, export tariffs and other restrictions, and a grossly overvalued exchange rate.

These interventionist policies had a number of negative effects on the economy and the population including the shift of maize production from low cost production areas near the main consumption centers to higher cost production areas in outlying regions. Subsidized fertilizer prices resulted in excessive nitrogen being applied to suboptimal plant population. This wasted fertilizer and, more importantly, led to acidification and accelerated soil degradation in the northern and eastern parts of the country. Price distortions spawned misallocation of resources and overvalued currency, and price controls became de facto taxes on farm income. It is estimated that as much as one quarter of farm income was lost through this indirect form of taxation. This, in turn, caused increased rural poverty and food insecurity.

The combination of subsidizing both maize production and consumption created monstrous fiscal problems for the GRZ as the budget deficit continued to rise. By 1989 the direct maize subsidies had reached 16 percent of the entire government budget, not including those paid on the production of local fertilizer.

B. Uniqueness of Zambia's Agricultural Sector

Zambia is a country about the size of Texas (752,620 km^2), with one of the lowest farmer-to-arable land ratios in Africa, including about 1.4 million ha of high quality cultivatable land and about 9 million ha total of cultivatable land. Of this total, only about 15 percent is cropped each year.

Land is cultivated by three major classes of farmers—commercial, emergent, and smallholder. Commercial farmers work farms from 20 to thousands of ha in size, and for the most part, are on a par with those found in the developed world. About 26,000 commercial farmers, accounting for about 1 percent of farm households, are counterparts to the large farmers of Zimbabwe and South Africa. They have the skills and resources to take full advantage of a positive agricultural environment. The problem is, for the past 25 years they have been under the thumb of the government, and may be overly cautious.

Emergent farmers are extremely important to Zambia's future agricultural growth. They may have small holdings (10-20 ha), but are selling to the commercial market, and are the fastest-growing group of farmers in the country. In 1965 there were only 25,000 emergent farmers, but by 1990 their numbers had grown to 120,000, representing about 24 percent of farm households. Emergent farmers have more capital and market access than the smallholder. Often they are, or have connection with, government workers or urban laborers. They use oxen plows, improved seed, and other inputs to produce a large marketable surplus. Increasing linkages between the commercial farmer and the emergent farmer have taken place, primarily under contract farming arrangements.

The largest group of farmers, smallholders, cultivate small plots (less than 10 ha) with family labor and simple tools mainly for subsistence. The 460,000 smallholder farmers in Zambia represent about 75 percent of farm households. They produce most of the basic grains (maize, sorghum, rice and groundnuts) and are important producers of cotton—an important cash crop.

C. Potential for Agricultural Growth

Agriculture in Zambia has historically accounted for only about 15 percent of GDP, but this figure obscures the sector's real importance, since large parts of the manufacturing, transportation, and service sectors are agriculturally related. About 50 percent of the population depends on agriculture for their livelihood, and it employs 67 percent of the formal sector labor force. The sector has grown at 7 percent a year from 1983 to 1990, making it one of the most rapidly growing in the economy, despite the sector's declining terms of trade and four droughts between 1974 and 1992.

The World Bank, in a recent scenario on the Zambian economy, projected an average growth in the agricultural sector of 7.5 percent per year in the base case from 1993 to 2000, the major source of which is expansion of the area under cultivation in response to positive economic incentives. All expansion in the model used could be met by existing landholdings among commercial, emergent and smallholder farmers. Even with no change in yield, Zambia could double agriculture production in the base case and triple production in the best case.

These optimistic projections were based on several factors. Zambia's ecology allows for a wide range of farming systems and crop diversification. Malawi, for example, a less well-endowed neighboring country, has performed better than Zambia, emphasizing the unrealized potential for agricultural growth. Given Zambia's abundant land resources, and putting 500,000 ha of land per year into production over the next ten years, still only 66 percent of the cultivable land would be in production. Moreover, Zambia has one of the highest irrigation potentials in Africa, with some 400,000 ha conceivably irrigated. Today, only 25,000 ha—6 percent—of this potential is being used.

These encouraging signs lead to the conclusion that the agriculture sector could be the source of the fastest economic growth in the economy, essential to the future of Zambia. Long-term decline in the economy has resulted in deteriorating social and welfare structures. An AIDS epidemic demands increased social costs. Rather than be dependent on the fickle generosity of donors, Zambia needs economic growth and expansion. Empirical data from most of the "economic tigers" of Southeast Asia indicates their rapid economic growth started with agriculture. There have been no economic tigers in Africa, but Zambia could be the first if the present economic transition succeeds.

SECTION II

SUMMARY OF CURRENT GOVERNMENTAL STRATEGY AND OBJECTIVES

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A. Governmental Strategy and Objectives for Development of the Agriculture Sector

Before the democratic multi-party elections in October 1991, Zambian government agricultural policy was focused on maintaining a single crop (maize) through a command-driven economy. As the government began the herculean task of moving toward a diversified market-based agricultural economy, the need arose for a comprehensive framework in which the government and donors' support for agriculture could be developed. This framework is now being established by a task force of public and private representatives working through the Ministry of Agriculture, Food, and Fisheries (MAFF). Their initial effort is seen in the document *A Framework for Agricultural Policies to the Year 2000 and Beyond* from which the following summary has been drawn.

The government now recognizes that the reasons for unrealized potential in Zambian agriculture have been excessive government intervention and control of markets, coupled with inadequate provision of essential public services. This realization has underscored the urgent need for the government to shift from managing and directing the agricultural sector to facilitating and supporting it.

The framework delineates five objectives for the agricultural sector: food security, sustaining the resource base, incomes and employment, contribution to industrial development, and contribution to balance of payments.

These five objectives will be obtained through ten broad strategies:

- Liberalization of markets
- Diversification of crop production
- Emphasis on services to smallholders
- Development of the livestock sector
- Expanded opportunities for outlying regions
- Improvement in the economic status of women
- Improved use of available water resources
- Full utilization of agricultural land
- Helping farmers deal with natural disasters
- Emphasizing sustainable agriculture

Beyond these general themes, the task force suggests several specific actions the government should take, particularly revisions to agriculture-related legislation (specifically the Cooperatives Act, Agricultural Marketing Act, Agricultural Credit Act, and Seeds Act). Furthermore, the existing Fertilizer Act and Feeds Act should be properly administered.

All parastatals in marketing, processing, and retailing of farm and food products will be privatized and public storage facilities will be leased to the private sector for agricultural purposes. The government, with donor help, will rehabilitate silos.

In terms of market information, the GRZ will assume the responsibility of collection and distribution, although government need not necessarily undertake this function. Government will, however, play an important role in developing standards. Regulation of inputs such as seed, fertilizer, chemicals, and feeds will also be a priority, achieved primarily thorough a system of labeling and certification.

Government research will focus on traditional food crops—cereals, tubers, and legumes—and will also direct attention to high value cash and export crops, pest management, and other urgent areas. The long-term objective of the government is to make research entirely demand driven. In addition, there will be an effort to reshape the extension service.

In the area of agricultural financing, a shift will be made from the previous emphasis on credit-worthiness to equity issues. Government's role will be to ensure that businesses can be profitable and that business assets can appreciate. Correct land tenure policies are vital for this purpose.

B. Recent Actions Undertaken by GRZ Related to the Sector

B1. Changes in Economic Policies

The Economic Recovery Program (ERP) is the formal blueprint for economic changes being implemented by the GRZ. It has passed through a process of public debate and enjoys broad-based support in the country. There are two basic parts of the ERP—economic stabilization and economic restructuring.

Economic stabilization. Economic stabilization first focused on getting inflation under control, a major concern, since recent inflation in the country was as high as 400 percent. In 1992 inflation was approximately 180 percent; the target in the ERP in 1993 is 20 percent. To curb inflation the GRZ is using a combination of fiscal, monetary, and income policy. Fiscal policies have been directed to bringing down the public sector deficit, which dropped from 7.5 percent of GDP in 1991 to a projected 2.4 percent in 1992, despite a severe drought. The most important policy instrument being used on inflation, however, is monetary policy, which also has a major effect on agricultural growth. The target for money supply growth in 1992 was 35 percent; however, this goal was not met, and the money supply grew at 70 percent. To impose even tighter control of money supply the government increased core liquidity requirements for commercial banks from 35 percent to 42.5 percent, raised the bank rate from 49 to 54 percent, and tried to use income policy to hold down wage increases. This effort has been less successful, as substantial wage adjustments have been made to both military and public sector employees.

Economic restructuring. Besides a stabilization program, the GRZ is also working on a program of economic restructuring, most of which has had a direct impact on the agricultural sector. It has three major components—liberalization of the economy, expanded private investment, and downsizing the public sector.

Decontrol of agricultural prices has been a dramatic feature of the ERP. Almost all control on maize and maize-related transactions has been removed and most subsides on maize meal have been eliminated, resulting in a short-term 700 percent increase in maize meal prices. To prevent adverse impacts on vulnerable segments of the population, a social safety net has been put in place. In addition, the market for fertilizer has been decontrolled and all subsides have been eliminated.

Exchange market rates and transactions have also been decontrolled and now function like any other market, with minimal government involvement. In addition, restrictions on imports and exports have been virtually eliminated. Only about 5 percent of Zambia's imports (mostly jewelry, automobiles, and precious metals) involve restrictions.

Interest rates and prices of non-agricultural goods have also been freed up. Interest rate ceilings were raised twice in 1992, then eliminated; they are now set by commercial banks and are moving toward a positive level. Even with the present negative interest rates, banking is becoming profitable in Zambia and the sector is expanding. Furthermore, prices of other goods such as petroleum and electricity are moving toward market levels.

Finally, the government has loosened its grip over financial markets. Exchange offices have been established for transactions in foreign exchange by banking and non-banking organizations, and an interbank market has also developed. Plans are underway to open a stock exchange, and the insurance market is being liberalized.

The second component of the economic restructuring program is to expand private investment. A new Investment Act has been promulgated, as has a Privatization Act, part of the GRZ commitment to privatize almost all state holdings. The first tranche in this program is now underway with 17 companies being offered for sale, a process unfortunately expected to make many employees redundant. The GRZ's social safety net hopes to deal with ensuing social and economic costs.

The final component of the restructuring program is downsizing the public sector, which will involve a major retrenchment of the civil service along with parastatal reforms. The government is considering eliminating as many as 30,000 jobs in the next year alone.

B2. Impact of These Changes on the Agricultural Sector

As noted earlier in Section I, C., growth in the agricultural sector has historically been inhibited by an extremely restrictive economic environment. The drought beginning in January 1992 has somewhat hampered the ability of the sector to respond to the dramatic release of these economic restrictions. Nevertheless, important changes have occurred.

With the decontrol of the maize and export markets, for example, commercial farmers are making a significant shift to oil seed production. In addition, with an improved investment climate, interest in agriculture by foreign investors has been high, particularly from southern Africa. Privatization is having widespread impact on support services for agriculture. For example, five new companies have established themselves in Zambia to service the fertilizer market, and about 100 dealers now sell fertilizer. There has also been a rapid expansion of the grain processing market, particularly in small-scale hammermills. In Section V C, a scenario details additional changes these new policies are expected to have in the future.

The most significant problem of the new policies has been caused by tight monetary policies imposed to bring inflation under control. The resulting liquidity crunch has limited the extent the agricultural sector can respond to the new economic incentives now available.

SECTION III

PRESENT USAID OBJECTIVES AND PROGRAM IN THE SECTOR

SECTION III
PRESENT USAID OBJECTIVES AND PROGRAM IN THE SECTOR

USAID activity in the agricultural sector in Zambia dates back to 1977; until 1992, in fact, its portfolio was related almost exclusively to agricultural issues. Much of the earlier work by USAID was in traditional agricultural activities such as research, extension, training, policy planning, and institutional development.

The primary objective of the USAID program in Zambia has been to build on the strengths and potential of the country's agricultural sector. The USAID strategy was to promote increased agricultural production and rural incomes through a series of agricultural policy reforms, by introducing appropriate production inputs and training in research, management and policy. In the Country Program Strategy Plan (CPSP) now in preparation, one objective of the USAID program is a well-managed transition to a market economy. Part of this is to target investment within priority sectors of the Zambian economy, one of which is agriculture.

The mission's present agricultural portfolio includes two bilateral projects and a non-project assistance program. The two projects are Zambia Agricultural Training, Planning and Institutional Development II (ZATPID II) funded at $15.7 million ending in October 1993, and Zambia Agribusiness and Management Support (ZAMS) with funding at $12.1 million ending in September 1993. The non-project assistance activity supports the Maize Market Decontrol Program (MMDP), a program funded through a $51 million PL-480 Title III grant, a $24 million CIP, and a $10 million cash transfer. The MMDP was initially authorized in March 1992.

The ZATPID II project is a follow-on of a project started in 1980 to strengthen the GRZ's capacity to analyze, plan, and manage agricultural sector production consisting of support for training and technical assistance. The initial project had a significant impact on the agricultural policy process, so a second project was authorized in June 1986. ZATPID II was similar to its predecessor. It was designed to improve GRZ agricultural policy formulation, sectoral planning, and management in key policy making institutions. The project provided training, technical assistance, and data processing equipment.

The ZAMS project was begun in 1988, with the purpose of developing agricultural markets and improving the agricultural marketing system in selected geographical areas. Training, technical assistance, and commodities are provided by the project. In March 1991, it was redesigned to focus support on GRZ's efforts to liberalize and encourage local investment in small-scale processing and marketing grains.

The Maize Market Decontrol Program was initially developed to preserve, support, and further maize sector liberalization efforts by targeting three major areas plagued by inefficiency: pricing policies, marketing of production inputs and maize, and financial

markets. In response to the devastating drought in early 1992, the MMDP was amended to incorporate additional resources for drought relief.

SECTION IV

CURRENT AND PLANNED OTHER DONOR ASSISTANCE TO AGRICULTURE

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Exact information on other donor activities in the agriculture sector is hard to obtain; however, a recent compilation by the Ministry of Agriculture, Food and Fisheries, provides a general overview of donor activity by agricultural sub-sectors. A summary of the number of project activities by donor and sub-sector is seen in Table IV-1 below.

This table shows the general concentration of donor activity. In 1992 and later, 112 activities existed among 11 major donors and 12 agricultural sub-sectors. (The number of activities does not necessarily equate level of funding.) Comparable funding data was not available.

Of the 12 agricultural sub-sectors, agricultural research, with 21 activities, has the largest number. This was followed by livestock (19), integrated rural development (14), and agricultural extension (12). Many of the integrated rural development (IRD) projects were established under the former government and are now coming to an end. Only two projects with the MAFF exist in agricultural marketing, one of which is a $33 million World Bank effort.

Table IV-1. Other Donors' Projects in Agricultural Sector

	Total	IBRD	SIDA	NORAD	Finnish	Dutch	Japan	British	CIDA	German	FAO	EEC	Other
Ag Policy	5		1					2	1	1			
Ag Marketing	3	1							1	1			
Food Security	7					1				1	5		
Ag Research	21		12			1	1	3	2				2
Ag Extension	12		3	1	1	1				1	2	2	1
Ag Education	5		3	1		1		1					
Ag Inputs	6					3		1		1		1	
Irrigation	5					2	1				1		1
Crops	8	2							3			2	1
Livestock	19					6	1				4	7	1
Fisheries	7			2	1	1	1			1	1		
IRD	14		4	1		3	1			3			

Source: Ministry of Agriculture, Food and Fisheries, Planning Division

Sweden's SIDA has the most activities with 23 projects, followed by the Dutch, United Nations organizations, and the European Community. The mix of donor projects is expected to change as the programming, design, and approval process begin to reflect the changed environment. A review of the projects is indicative of what major donors in the sector have been doing.

Sweden. Sweden's SIDA has been a major supporter of agricultural research and integrated rural development in Zambia; it has also supported agricultural training activities. The Swedes have also been active in the cooperative movement in the country. Much of the present program is drawing to a close and they are developing a follow-on program, which will probably drop support for the cooperative movement and integrated rural development programs popular under the former regime. New activities will stress support of agricultural research and extension.

Netherlands. The Dutch also have a number of projects in agriculture, most of which deal with livestock development, tsetse fly research and control, dairy training, and working with draught power. They are also supporting efforts in integrated rural development and irrigation activities.

United Nations. UN organizations have a diverse portfolio in the agricultural sector, with programs in agricultural extension, maize research, aquaculture, irrigation, animal health, and dairy development. In addition, the UN has several programs related to early warning systems and food security issues.

European Economic Community. The EEC supports several projects related to animal disease control, particularly trypanosomiasis and foot-and-mouth disease. They also support agricultural extension efforts for smallholder farmers and maize and rice development.

Germany. The German program in agriculture is quite varied, with projects in agro-forestry, fisheries, draught power, and rural nutrition. The Germans are also supporting several integrated rural development projects.

World Bank. The World Bank has only a few projects working directly in the agricultural area, but, given their size and importance, is a significant donor. Two projects in particular deserve mention, the $33 million Agriculture Marketing and Processing Infrastructure Project and the Export Diversification Project. The bank also has a project in coffee development.

A particularly interesting and potentially significant activity of the bank is the promotion of an Agriculture Sector Investment Program (SIP). Under the SIP proposal, all activities of MAFF would be considered as one large sectoral project administered by the government with support from a consortium of all donors active in agriculture. The UNDP has provided funding for an agricultural task force of public and private sector individuals to develop a Policy Framework Paper (PFP) and the SIP for the agricultural sector. The SIP is to be submitted to the CG meeting in Paris at the end of March. The bank is to mobilize the

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donor consortium to support this SIP; however, in conversations with other donors, the assessment team found only a lukewarm reception to this idea. The task force is operating and the PFP has been drafted. There is a feeling that some form of the SIP may be established, but with more direct coordination of the GRZ.

SECTION V

ANALYTICAL FRAMEWORK FOR AGRICULTURAL SECTOR STRATEGY

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ANALYTICAL FRAMEWORK FOR AGRICULTURAL SECTOR STRATEGY

The preceding descriptive material underscores the scope and significance of the transformation now occurring in Zambia's economy and, more specifically, the agricultural sector. Within the last year, a sea change has occurred in the management and operation of the economy. The former command-driven, state-controlled economy has given way to a market-based competitive structure. As in Eastern Europe and the former Soviet Union, transformation is not happening as smoothly or as rapidly as desired. The potential benefits of these changes are still highly valued by the government, donors and the general population, but the continued strain, economic hardship, and overall difficulty of carrying out these changes could erode support if the population loses hope. Given the critical importance of this transformation to the growth and development of the agricultural sector, the well-managed and rapid achievement of a fully competitive market-based economy is essential to the realization of any donor activity in Zambia. With this as background, the analytical framework used to assess the agricultural sector for this strategy is based on the goal of a successful transition to a market-based system.

The purpose of this assessment is to provide USAID with suggested program options to guide its strategy in the agricultural sector for 1993-1998. The conceptual framework contained in Figure 1 can be helpful in identifying and analyzing possible options. The analysis focuses on transition activities occurring since the October 1991 multi-party elections, which began the shift to an open-market system in the country. The first step in this analysis was the formulation of a marketplace matrix to evaluate the current agricultural sector against a fully implemented competitive market-based economy. This serves to highlight major areas of concern to successfully implement the transition.

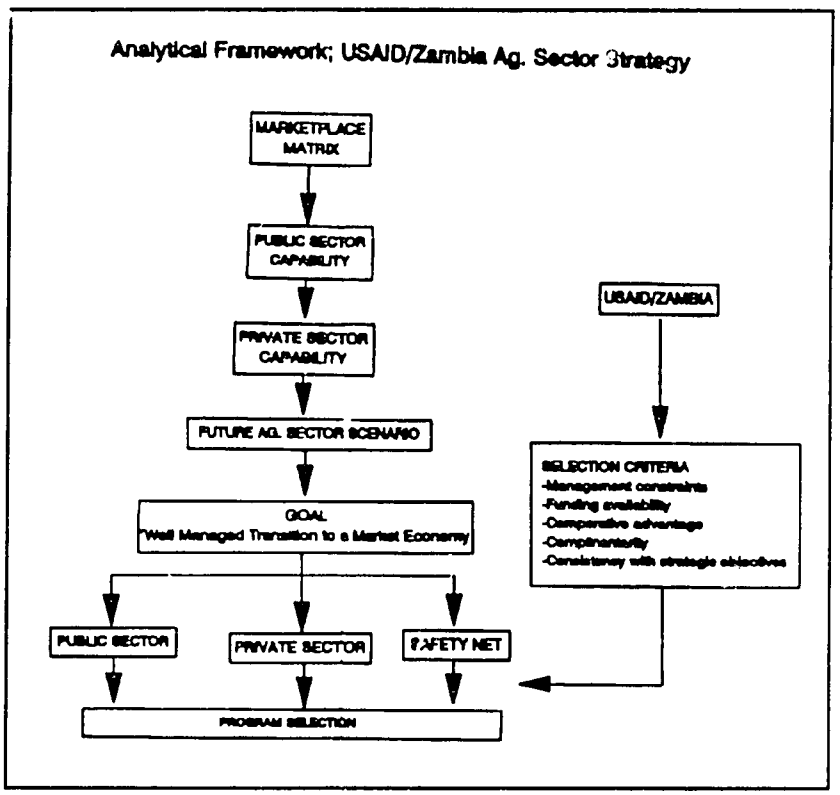

Figure 1.

The next step was to assess the public and private sectors' capability to implement the new structure. Next, a growth scenario was developed, which examines both the near- and medium-term prospects as economic and political forces play out during the transition process. Potential winners and losers within the economy and the sector are also identified. These elements provide the basic tools to identify the most important program areas in the sector to assure a successful transition, not all of which are appropriate for USAID funding and support. Constraints and selection criteria for USAID/Zambia are also discussed. Information from this analysis may be used to develop a range of program options appropriate for USAID support. Using an identified selection criteria, USAID can then rank the range of options. We now turn to the elements of this analysis in more detail.

A. Marketplace Matrix

A matrix was developed to assess program activities necessary to support the goal of achieving a successful transition to a market-based agricultural sector. On the vertical of this matrix are principal attributes of a competitive open-market agricultural system in Zambia, which could be viewed as characteristics expected to be in place at the end of the transition period, in much the same way as the End of Project Status (EOPS) in a project design. Here they reflect End of Transition Status (EOTS). This list is not all-inclusive, but outlines the main components of a viable competitive marketplace in the agricultural sector. The list of attributes is divided into four major categories—freedom of market entry, access to resources, market information, and a functioning legal system (see detailed description below).

On the horizontal of the matrix are evaluations of each of these attributes. The present status is indicated by an X in one of five columns ranking the attribute's current level from non-existent (1) to fully implemented (5). Judgment of these attributes is, by necessity, subjective and approximate, with both extremes more clear-cut than intermediate ranges of the scale. Judgments are based on the collective wisdom and knowledge of experts and officials working within the sector, including donor, private, and governmental actors. Besides the status of the attribute, judgments are also made on its priority to achieving a competitive marketplace (high, medium or low), the timing requirement (short-term, i.e., within one year; medium-term, within one to four years; and long-term, over four years). Major donors working to achieve a specific attribute are included. Finally, room for comments is provided.

This matrix is the principal tool to evaluate progress in achieving the goal of creating a competitive marketplace in the agricultural sector. It provides a condensed forum in which to examine the principal attributes leading toward the goal, the present status of each, and their priority and timing. Over time, progress towards the goal can be charted by updating the matrix. For program purposes, those attributes that have a combination of low present status, high priority, and short-term timing requirement are the most critical elements in the sector.

While the marketplace matrix represents a compact and powerful analytical tool to evaluate the transition process, it has important limitations that need to be covered by other

analyses to give a complete picture. It is developed only from an economic, rather than a social or political point of view, and is based on a theoretical model of a fully competitive capitalistic marketplace with a focus on the production elements of land, capital, technology and labor. Thus, for example, gender and equity issues are not captured in the matrix itself, but are dealt with in the scenario section. Political stability also does not appear in the matrix, but is critical to success of the transition. A separate enabling environment matrix could be developed to include some of these additional elements.

Another element absent from the matrix is the micro analysis of specific markets. It does identify specific markets, such as financial markets and land markets, whose performance is critical to general success of the transformation. In such cases, a separate, more detailed analysis can be developed if the mission decides to consider that market as a critical program area for project or program development. The matrix is intended to identify general program areas, not specific project options.

A more general element not contained in the matrix relates to environment and natural resource development. As is too commonly the case, environmental issues are classified outside the general economic framework. In present-day Zambia, this may not be a totally inappropriate approach. Given Zambia's low population density and favorable geography, soil degradation and environmental destruction are relatively low priority problems. A recent study, for example, showed that only about 7 percent of cultivated land had some degree of degradation (Wood, et al, p. 121). Although it represents an important environmental problem, it is not a significant factor in agriculture production or economic development in the agriculture sector. Without proper care, however, natural resources could deteriorate as more intensive agriculture is developed.

Within the five planning periods of this study, it is reasonable to believe that natural resource issues will remain relatively inconsequential. Most existing environmental problems are directly related to inappropriate crops and cultural practices (particularly overuse of nitrogen fertilizer), further accentuated by economic policies, such as subsidies on fertilizer and transportation, that until recently encouraged inappropriate maize production. Given the current and planned agricultural reforms in Zambia, the expected changes in cropping patterns will result in greater diversification (see scenario below). As this takes place, much of the environmental damage now occurring should be reduced. In terms of a necessary element to advance the transformation from a command-driven to a market-based agricultural economy, natural resource problems are not immediately significant.

A final consideration not captured in the matrix is the interrelationship of one attribute to another. A prime example is the link between the financial market and the land market. For the smallholder farmer, access to credit will become more difficult with the break-up of cooperative and agricultural development banks who offered subsidized credit. Emergent farmers moving into the marketplace have special needs for commercial credit, but since their land is under customary non titled ownership, it cannot be used as collateral because it has no market value. Thus, the absence of a land market limits the ability of the financial market to respond to credit needs. Another salient example of cross-pollination of attributes is the ability to make and enforce a contract, which is directly related to the success of

almost all other attributes in the matrix. We have attempted to highlight this interrelationship in other parts of the analytical framework, particularly in the scenario section.

With this background, we move on to the actual Indicative Marketplace Matrix (Table V-1), starting on the following page. As noted earlier, the attributes of a competitive open-market agricultural system used in the matrix are divided into four categories: freedom of market entry, free access to resources, market information, and a functioning legal system. We now consider each of these categories in turn.

Freedom of market entry. This refers to the precept that a fundamental feature of a competitive market system is the presence of many buyers and sellers, which gives the market its competitive nature. For most private sector participants, a principal objective is to reduce this number so as to gain some form of monopoly power and reap monopoly profits. The economic benefit in terms of efficient resource allocation is due, to a large extent, to multiple transactions in the market of many buyers and sellers. With a large number of sellers in a market, individual sellers are price takers and they succeed only when they can increase their efficiency to provide a better service or product at a lower price.

In the matrix are two sub-categories related to freedom of market entry—non-restrictive licensing and antitrust actions. Non-restrictive licensing deals with domestic transactions and cross-border trade. Antitrust action reflects the need to avoid cartels, monopolies, or oligopolies in agricultural markets.

Access to resources. This category reflects the proposition that the competitiveness of a market is partly determined by freedom of access to resources for producing and marketing goods and services. This category is broken down into subcategories related to six major resources important to the agriculture sector—land, technology, production inputs, financial services, infrastructure, and education.

The land subcategory reflects the land tenure structure in Zambia. Two attributes belong in this subcategory, the first of which deals with the necessity of having a viable land market in the country. The second concerns nondiscriminatory access to land, an important issue for women and for emergent and smallholder farmers.

Technology, the second subcategory of resources analyzed in the matrix, represents the range of genetic material, equipment and information generated by local and international research and development, whether from the public or private sector. In modern agriculture, technology is the most important single resource available to a farmer. Of the three attributes in this subcategory, the first deals with unrestricted access to all available technology, the second assures intellectual property rights and patents for firms who develop new technology, and the third is an effective public and private agricultural research system.

Production inputs, the next resource subcategory, include both locally manufactured and imported goods. It is divided into three attributes related to the principal production inputs used in Zambian agriculture—seeds, fertilizer, and agricultural machinery.

Table V-1. Indicative Marketplace Matrix
Zambian Agricultural Sector

Attributes of a Competitive Open-Market Agricultural System (End of Transition Status)	Present Status*					Priority	Timing	Donor	Comments
	1	2	3	4	5				
Freedom of Market Entry Non-restrictive licensing									
Non-restrictive entry into domestic distribution and sale of agricultural produce and inputs			X			High	ST	WB,IMF	
Open trade regime, non-restrictive import and export of agricultural products			X			High	ST	WB,IMF	
Antitrust									
No cartels, monopolies or oligopolies in agricultural markets	X					High	LT	USAID	Privatization breaking up old stat monopoly but there is still no anti-trust legislation or enforcing mechanism in place
Access to Resources Land Tenure									
Functioning land market: land has value and effective mean to trade it is in place		X				Med.	MT		
Non-discriminatory access to land, i.e., gender, ethnic group	X					Med.	LT		

Available Technology									
Free access to world-wide technology		X				Med.	MT		Commercial farmers have good access to technology but much less so for smallholders
Assurance of intellectual property rights and genetic patents		X				Med.	LT		Legal bases has been established but no enforcement mechanism
Effective public and private agricultural research system			X			Med.	LT	SIDA, WB	Public system in place but private system just starting
Available appropriate production inputs (manufactured or imported)									
Seeds				X		High	ST		Lack of private sector competition
Fertilizer				X		High	ST		Limited private sector competition, not readily available in remote regions
Agricultural Machinery		X				Med.	MT		Commercial farmers OK but not smallholders
Viable Financial Market									
Effective rural savings mobilization	X					Med.	LT		
Multiple sources of farm credit: commercial, informal, dealer, etc.		X				Med.	MT		Major source of credit has been govt. coops for bulk of farmers
Easy ability to transfer funds in agricultural economy: clearing banks, checking systems, etc.		X				Med.	MT		Commercial farmers can do but not smallholders
Crop Insurance	X					Low	LT		
Ability to use stock as coilateral, i.e., bonded warehouses, banking practices, etc.	X					Med.	MT		Most important for traders, transporter and possibly emergent farmers
Ability to use future contracts	X					Low	LT		

Agricultural Infrastructure									
Good network of farm to market roads			X			High	MT	WB, EEC	Commercial farmers have access to better roads than outlying smallholders
Storage			X			Med.	MT		Most storage in public sector, limited on-farm storage for smallholders
Transport			X			Med.	MT		Trucking adequate for main roads but rail barely adequate
Processing		X				Med.	LT		Most in government hands. Limited processing outside of milling
Market facilities	X					High	MT		Not even a decent marketplace in Lusaka
Education/training									
Effective public and private extension system	X					Low	LT		Alternate sources of information more likely to have quicker returns
Effective "distant learning" system in place, i.e., correspondence, radio, television	X					Low	LT		
Appropriate rural level primary and literacy education and training			X			Med	LT		
Market Information Grades and Standards									
Established grades and standard for agricultural products and inputs		X				Med.	MT		Little done except for maize meal

Public or private mechanism to police grades and standards	X					Med.	MT		
Correct labeling widely used on agricultural products and inputs	X					Med.	MT		
Market Information									
Widespread collection of information on agricultural prices by commodity and region		X				High	ST		
Widespread dissemination, in a timely manner, of agricultural market information	X					High	ST		
Rural radio and/or newspaper network in place		X				Med.	LT		
Functioning Legal System									
Appropriate contract laws for agricultural transactions established	X					High	ST		
Effective enforcement of contract laws	X					High	ST		
Effective system for dispute resolution in place	X					High	ST		

Note: * 1=Not available or Very poor, 2=Poor, 3=Good, 4=Very Good, 5=Fully operational and accepted
** ST=Short term (< 1yr.), MT=Medium Term (1 - 4 Yrs.), LT=Long Term (>4 yrs.)

Capital, of course, is one of the most basic resources for any firm, and financial services represent the principal source of capital for ventures in a competitive marketplace. A viable financial market providing ready access to capital and allowing manipulation of capital and risk is an essential element of the marketplace matrix. This subcategory lists six varied facets of financial markets:

- Effective rural savings mobilization
- Multiple sources of farm credit
- Easy ability to transfer funds within the agricultural economy
- Crop insurance
- Ability to use stock as collateral
- Ability to enter into future contracts

The last three attributes are not presently of high priority; nevertheless, they could play a critical role in supporting the agricultural sector as it begins to move fully into a competitive market structure. All three of these attributes are related to reducing risk.

The next general resource subcategory is agricultural infrastructure, which covers all supportive physical components required of a modern, efficient, and dynamic agricultural marketplace—roads, storage, transportation, and processing and market facilities. Each represents a separate attribute under this subcategory.

Education and training is the final subcategory under free access to resources, and concerns availability of resources to build human capital. Three attributes are listed in the matrix for this sub-category—extension, distant learning, and rural primary education.

Market information. A competitive market can operate only where there is a free flow of market information to allow buyers and sellers to determine prices and make production and consumption decisions. This category in the matrix has two subcategories—grades and standards, and market information.

Functioning legal system. The final category in the matrix deals with contract and business law. While not within the traditional realm of economics, it has the highest practical applicability for establishing a competitive, efficient market. Markets are based on transactions among buyers and sellers, each of which represents a contract. While a contract does not have to be in writing, it does have to be mutually understood and agreed upon, and its terms and conditions must be fulfilled before the transaction can be considered completed. The market works best when there is confidence in the process, enforceability, and effective and prompt conflict resolution. These elements represent the three attributes in this category.

B. Capability of the Public and Private Sector to Support the Transition to a Market-based Agricultural Economy

The marketplace matrix shows us where the agriculture sector is at the moment and where it needs to go in the future. The analytical framework now focuses on the ability of both the public and private sectors to get from here to there. First, however, we examine

appropriate roles for the public and private sectors in the transition to a market-based agricultural economy.

B1. Appropriate Roles in a Market-based Agricultural Economy

The transformation of a command-driven economy into a competitive market-driven system requires a myriad of policies, institutions, and laws to be in place before full efficiency of the marketplace can be achieved. In Zambia, this transition will require modifying the role of existing institutions. In addition, the establishment of new institutions, legal structures, and policy frameworks will be required, all of which create an enabling environment.

The roles of both the public and private sectors in the new economic and social structure take on considerable importance. Ideally, the state has three important functions in a market-based political economy: assure a competitive marketplace, provide essential public goods and services, and assist members of the society unable to provide for themselves.

While the unimpeded action of the market (without state intervention) is the best means to assure the most efficient allocation of resources in a society, the state, nevertheless, has a critical role in assuring that the competitive market itself survives. Powerful forces at work within the market could destroy it. Monopolies, oligopolies, and cartels are all poisons to the market. In developing countries like Zambia with limited infrastructure and institutions, market distortions and imperfections can prevent society from benefiting from efficiencies the market could provide. Essential areas for public sector action include assuring free entry into all markets, unrestricted access to resources in the economy (this is particularly important for women), access to information within the marketplace (prices, quality, demand and supply), and the consistent and timely rule of law (contracts, patents, etc).

Because of externalities, i.e., the inability to directly capture the cost of a good or service from those benefiting from it, a number of economic and social activities need to be undertaken by the public sector. In the agricultural economy these include primary education, road building and maintenance, police services, and, to a more limited extent, research and extension. Regulatory functions, such as establishment and enforcement of grading and quality control standards, are also critical to an efficient agriculture sector. While important contributions may be made by the private sector in some of these areas, in general they should be handled by the public sector.

Finally, the state has a fundamental responsibility for the welfare of those unable to provide for themselves. Some of this function can be and is fulfilled by the private sector (religious groups, NGOs and charitable organizations), but this does not absolve the public sector of this basic responsibility. Establishment and management of a strategic food reserve is one part of this obligation.

E2. Current Public Sector Capabilities

Until the last year or so, the state dominated activities in Zambia's agricultural sector. The public sector institutions' selection, training, and instincts have all been directed towards a command-driven agricultural economy, and a mind-set had evolved on the way things should be done. Zambia's public sector now recognizes the need for change.

Unfortunately, plans do not yet address how the public sector agricultural institutions are going to change. A recent manpower review of the Ministry of Agriculture, Food and Fisheries (MAFF) found that the staff was generally well qualified, but lacked appropriate guidance and resources to carry out their work. At a recent workshop of MAFF employees, they were asked what their particular section should be doing in the next few years. The not-too-surprising result was that the priorities laid out were the same as five years ago. There was no reflection of the dramatic changes now occurring in the agricultural sector.

The public sector in agriculture is large and bloated. It has at its top a very thin layer of highly talented and committed officials dedicated to moving the sector towards a market-based economy, but so far, their dedication has not penetrated most levels of the bureaucracy. Most employees of the public sector have not yet been engaged in this process.

The public sector is also over-staffed and under-funded. Over time the combination of hiring to handle new programs as well as to satisfy patronage needs has swelled the ranks of public sector employment, and agricultural institutions are no exception. This situation can no longer be sustained because the government does not have the resources to pay superfluous employees. Macro-economic reforms are now taking place to create financial and economic viability for the government and the economy, which will result in large-scale redundancies of public sector employees. This, in turn, is likely to create social and political upheaval.

From this overview we now turn to the capability of the public sector to carry out specific tasks in support of a market-based agricultural economy. These include market information, grades and standards, agricultural research and extension, strategic food reserve, and infrastructure.

The quantity and quality of information and statistics on agricultural sector performance is generally poor. Data collected by the Central Statistics Office often goes un-analyzed, and published data series are often incomplete and inconsistent. A Marketing and Logistics Information Center has recently been created in MAFF to try to overcome these shortcomings.

Responsibility for grades and standards and monitoring of crops and inputs lies with the Zambia Bureau of Standards (ZABS). ZABS seriously needs upgrading. Many crops and inputs do not have measurable or enforceable standards. ZABS even lacks laboratory testing facilities for quality monitoring. Enforcement is weak or non-existent.

Zambia has long had a publicly-funded agricultural research and extension service within MAFF, which has received substantial support from donors. It is today practically non-functional, since the bulk of the Ministry's budget goes for staff salaries and benefits, with little left for operations. The agricultural research system gets generally good marks, but faulty agricultural policies have not provided incentives for widespread adoption of technology developed.

The Zambia Cooperative Federation (ZCF) is responsible for purchasing, transporting, and storing maize for the strategic reserve. Its operations are believed to be inefficient, which is not the least surprising since the ZCF suffers from inadequate funding, provides inappropriate incentives for employees, is poorly managed, and lacks the means to maintain its facilities.

Road transport infrastructure and services have deteriorated dramatically since the early 1980s due to inadequate technical capacity and financial resources. The Roads Department is under-staffed, since it cannot attract and retain qualified road engineers under the present government salary structure.

In summary, the public agricultural sector is not yet well equipped to carry out its role in a market economy. Even if its roles were clearly defined and understood, problems related to over-staffing, under-training, and under-financing would still inhibit performance.

B3. Current Private Sector Capabilities

During the 28 years since independence, state participation in the economy has been all-pervasive, so the existing private sector is not appropriately prepared to respond to its emerging role. Nonetheless, the GRZ appears committed to withdrawing as an active participant and competitor in the agricultural sector. It also seeks to facilitate economic activities.

This withdrawal can take one of two forms: immediate "cold turkey," or a gradual, managed transition. If withdrawal is immediate, government dominance in the management of private sector functions (e.g., pricing, movement, supply, transformation, etc.) will leave segments of the agricultural sector unprepared to move suddenly in a different direction, and severe disruptions are likely. On the other hand, if a gradual withdrawal takes place, government domination of traditional private sector functions will tend to make the private sector, at the very least, skeptical of the sincerity of GRZ commitment. A transitional program will tend to feed this natural suspicion.

Given the obstacles facing the private sector (e.g., limited access to capital for short and long term needs, untested entrepreneurial and business skills, poor access to information, inadequate commercial facilities and infrastructure, unenforced/inappropriate/missing policies and regulatory guidelines), the need cries out to nurture and develop an effective private sector productivity and agribusiness capability.

Therefore, a transitional approach to full private sector participation in the agricultural sector is probably more manageable provided GRZ establishes and maintains open communication. The objective of this transition (over four years) would be to establish conditions necessary to permit the GRZ to withdraw from direct participation in private sector activities such as purchasing, transporting, storing, processing, and marketing. Due to the importance of the maize subsector, it is a good place to begin.

Current private sector capabilities and deficiencies. In an open economy the government provides the rules and regulations—the parameters—for markets to exist, and the private sector is then responsible for supplying, moving, producing, transforming, and marketing the goods and services necessary to make a market which brings buyers and sellers together.

However, GRZ actions in the past reflect practices suitable to a command economy where both the parameters of the market and the market itself are controlled by the government. This intervention has left the Zambian private sector, including agriculture, unevenly prepared to step in and fill these shoes.

Conducting business in the "new" Zambia will involve markedly different conditions and methods. It will require new business attitudes, creative ways to overcome dilemmas, new policies and regulations, restructuring, public sector retrenchment, and private sector expansion.

Commercial farmers and bankers, which have operated outside the government-controlled economy to a greater degree than most, are better prepared and capable—tested in the market place—to conduct business in the "new" Zambia. Others, however, such as truckers, millers, and traders, who operated at the fringes of or well within the government-controlled economy, must deal with a number of general deficiencies. They suddenly find themselves faced with a lack of market orientation, limited market information, restricted access to finances, inappropriate management skills, too few managers, and an inappropriate asset base.

Lack of market orientation. In the past, conducting business depended more on contacts in the government than on how well you provided a service. Trucking is a good example. Until recently, all major trucking contracts were awarded by the government, and knowing a well-placed official made getting a contract easier. Another example is the provision of credit, where the GRZ continually covered up the poor practices of farmer credit agencies by bailing them out at the end of the season.

With an open economy, the private sector will need to rely on providing value or performance for the money. Business as usual will require moving from "who-you-know" to "how-well-you-perform," and this market orientation will require a major change in mentality.

Limited market making information and communication. In the past, the GRZ often brought buyers and sellers together though its operation in the market, whereas with an

open economy, the private sector normally plays this role. To do this effectively, however, the private sector needs information on the market. It may initially look to GRZ to provide this service, especially in agriculture; the better firms will probably soon begin collecting market-making information themselves. Beyond merely assembling information, though, the private sector will now be responsible for using it, to create a market by establishing communications between buyers and sellers. The commercial farming sector already actively seeks out information for market creation, but other segments of the agricultural sector are less prepared.

Limited means to finance business. No longer will the government be the financier of first resort. As parastatal financing institutions are privatized or closed, private companies—new and old—will need to attract capital for short- and long-term needs in an open and competitive market. Commercial farmers and bankers are adept at conducting business in such an environment, but for newly privatized and public sector-oriented businesses, this will be a new experience. The options (equity markets, alternative collateral, guarantees, leasing, etc.) available to them are limited at this time.

Inappropriate management skills. In an open economy, capital will seek out the best return for the risk. This places a premium on management talent that can supply the goods and services required in a way that enhances return without increasing risk. In the past, emphasis was placed on production, but now greater attention must be given to cost control and marketing. These management skills are largely untested or completely absent. A prime example in the agricultural field is the milling industry, where the orientation has been toward filling government production orders, not responding to market forces.

Too few managers. Like many other developing countries, Zambia finds itself with few skilled managers and is especially thin in middle management levels. While many well-educated Zambians live abroad, it is unclear whether such individuals will return. With the spread of AIDS particularly high in professional ranks, the problem of managerial talent is likely to be exacerbated in the future.

Inappropriate asset base. Much of the public infrastructure is in need of repair, and a sizable part of the private (and soon-to-be-private) infrastructure is inappropriate in terms of location, capacity, type, and condition. For example, mill and storage capacity has deteriorated and much of it is, or soon will be, poorly situated to perform well in a liberalized economy. In addition, the trucking fleet is likely to be under-utilized if exports do not increase to neighboring countries. Even commercial farmers are hard-pressed to keep equipment operating and to extend its economical life.

In summary, the private agricultural sector is optimistic and hopeful, if largely untested and unprepared for liberalization. At the same time, concern exists about the speed of change—that maybe it is simply too much, too soon. Therefore, uncertainty likewise reigns about the government's resolve to stay the course in the face of a potentially unsupportive public.

C. Scenario on Transformation of the Agricultural Sector

Developing scenarios of future economic activity is akin to the arcane art of reading tea leaves: both need to be taken with a bit of skepticism. All scenarios are based on a series of assumptions about what will happen in the future. In the case of the transition in the agricultural sector, it is assumed, for example, that the course and the extent of the reforms in the sector will continue. It is also assumed that there will be some rough spots in the implementation process but that the general program would continue as planned. Estimates of the direction and extent of various changes in the economic and social structure of the agricultural economy were arrived at through a process of economic reasoning.

The scenario is divided into three parts: 1) the impact of these reforms on the transition of farming practices in the country, 2) the related transformation in the agricultural support system, i.e., transportation, milling etc., and 3) the general impact on the social and economic structure of the economy.

Expected structural changes in farming. The reforms undertaken by the Government of Zambia should lead to a general liberalization of prices in the agricultural economy, resulting in market-determined prices for all agricultural outputs and inputs. The pan-territorial pricing of maize and major inputs has been abandoned. Establishment of real prices in the sector will incite many reactions. Initially this change will lead to a growing imbalance in the terms of trade between the central provinces near the railway and the outlying provinces in the northern, eastern and western part of the country. In the outlying areas, prices of inputs and commodities will go up, and prices farmers receive for their product—consumed in the major consumption areas of the country—will fall. This is due to the transportation differential resulting from the use of full market pricing. As the devolution of the state monopoly on fertilizer occurs, fertilizer prices are likely to rise and it will become increasingly difficult for outlying farmers to obtain fertilizer supplies; over time, however, the competitive marketplace may actually lower the delivered cost of fertilizer and encourage smaller scale retailing that could increase remote area availability. In addition, removing subsidies from diesel fuel will mean that transportation costs will go up, which will make the margin between input costs and farm gate prices even smaller. Further, discontinuing pan-seasonal pricing will result in fluctuation in the price of maize from a low at harvest time to a high in the pre-harvest season, reflecting the storage differential. The outcome of all these new pricing conditions will be crops grown closer to their site of consumption and source of input supplies. In addition, there will be a more gradual release of food to the market as farmers and traders take advantage of the rising prices due to the storage differential and relative seasonal supply and demand conditions.

Changes in relative prices for crops and inputs will lead to greater diversification of agriculture and to more rational cropping patterns. It is likely that the commercial farmers will be responsive to these changing conditions and quickly move into new crops as market conditions dictate, since they have better access to market information and both the technical expertise and capital to take advantage of these changes. In terms of oilseeds, this phenomenon is already taking place. Commercial farmers will also be active in export crop production due to their greater capital and transportation capability.

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Maize production will be concentrated in the central provinces near the large population centers and the rail line, and may also be extensive in the eastern province for export to Mozambique and Malawi. With legalization of exports, the transaction costs of cross-border trade have been reduced. The extent of trade in these border areas will depend upon the price of maize in the neighboring countries. It is likely that sorghum production will increase in the southern part of the country, particularly since recent introduction of new sorghum varieties offering higher yields, and are fertilizer responsive and drought-resistant.

Expected structural changes in agricultural support systems. Concurrent with changes in farming patterns, transformations will also occur in the support system for the agricultural sector. In the first few years, considerable confusion is expected in the marketplace due to several factors: 1) the lack of general expertise needed to succeed in a competitive marketplace, 2) insufficient information to make good market decisions, and 3) the lingering effects of the inherent mentality of a command-driven economy, leading to misjudgment and misunderstanding by entrepreneurs.

In the near term, the liquidity crunch resulting from the attempt to limit monetary supply to fight inflation will retard the capability of the agriculture sector to fully respond to the changing pricing structure. Funds for immediate crop production will likely be available, but medium- and long-term loans for investment to take advantage of the more liberal economy will be extremely difficult to obtain.

With consumption and production areas coming closer together, a large market will open up for local processing and storage facilities. The fleet of large trucks now used to move grain under government contracts from one part of the country to the other will be less in demand for internal transportation, but could be diverted to new markets in the import and export trade. In general, more diversification is likely to develop in the transportation sector as truckers wean themselves away from guaranteed government contracts into more service-orientated operations responding to the marketplace. Smaller scale transportation could also be much more in demand for use in local hauling.

The large miller in outlying areas may find it difficult to operate, as local farmers cut back on maize production and transportation costs make trucking grain to the mill uneconomical. If they are unable to adapt, they may go out of business, limiting milling capacity in the country. On the other hand, diversification may result in other important opportunities for processing and marketing agricultural produce.

With the removal of subsidies on fertilizer, prices will initially rise. This increase, plus added transportation costs, could lead to reduced fertilizer utilization, particularly in remote areas, if the relative price ratio between farm gate prices and fertilizer falls. This, in turn, could result in reduced yields. On the other hand, farm gate prices may rise as fast as fertilizer. Either way, some positive results may eventually occur. These could include more efficient fertilizer use, overall lower fertilizer cost, and greater productivity.

Commercial farmers are most likely to make the first move into new supportive agricultural services. They may well attempt to take advantage of economies of scale and/or

more vertically integrate their farming enterprises. Transportation, input supply, storage, and processing are all areas of potential involvement. Some existing traders and processors may also take on new ventures. Much will depend on credit availability, estimated return on investment, and confidence in the future of the reforms.

Impact on social and economic structure of the economy. During the initial stages of the transformation, some elements of the society will suffer substantial losses. As noted, the terms of trade for the outlying provinces will fall compared to the central provinces. The shifts in economic and farming patterns required to respond to the changing price structure in the agricultural economy will leave some individuals less well off. The most likely to suffer are those already in a vulnerable situation. If the transition to a market economy is successful, the general well-being should improve. Food costs should fall, and economic growth should generate opportunities for employment. But in the interim, an important welfare issue needs to be addressed.

As subsidies are removed on mealy meal prices, food costs will increase to a market clearing level. Given the size of the subsidy, this could initially mean a significantly larger share of family income required to pay for food. In the long run, however, increased efficiency in production should result in lower maize meal prices. More important, as diversification occurs, a greater variety of food will be available in a wide range of prices, which could result in lowering total food cost to the consumer.

Restructuring the economy will result in retrenchment of public and parastatal employment, the need to learn new skills and work habits, and other social and economic upheaval. This will add new stresses to the society and could possibly breed crime and other social problems. While difficult to monetize, these factors represent real cost to the economy.

The group most affected by these changes will be the very poor, both in the rural and urban areas, who traditionally are the least able to deal with change. While the poor are often by nature survivors, nevertheless, they lack job skills, access to capital, and knowledge of the market.

Alternate scenarios. As noted initially, the scenario above is based on the assumption that the government, with donor support, will move ahead with the full implementation of reforms to move the economy to a competitive open-market system. Two alternate scenarios could also be envisioned. The first would see the government becoming increasingly concerned over the social and economic cost of the reforms and begin to slow them down or even reverse them. This would precipitate a fall-off in support by donors and potential investors and a general slow-down in the economy. The result may be undercutting recent reforms or a general regression to the dismal situation before the October 1991 election.

The second scenario is much grimmer: the government continues to push ahead with reforms, but the social and economic costs become so great that the population revolts. Civil unrest, political moves to remove or weaken the reforms, and general disruption in the

economy could produce a complete breakdown in the reform process and massive uncertainty about the future of the country.

Winners and losers. While not a zero-sum game, in the short term, the transformation will result in certain winners and losers. From our scenario it appears that winners will include commercial farmers, commercial banks, the informal sector (small scale truckers, processors, traders), importer/exporters, and possibly emergent farmers. Initial losers could include farmers in outlying areas, government employees, parastatals, consumers (in short-term only), and the very poor.

SECTION VI

PROPOSED STRATEGY

SECTION VI
PROPOSED STRATEGY

A. Sector Goals

As indicated Section V, Analytical Framework, the overall goal for the agricultural strategy is the *successful transition to a market-based agricultural economy*. The rationale for this goal derives from the historical changes now occurring in Zambia. The economy in general, and the agricultural sector in particular, are undergoing extensive change. Sections I and II, Overview of the Agriculture Sector and Summary of Current Governmental Strategy, outline the dramatic shift in ideology and policy from state control of the economy toward reliance on market forces. The agricultural sector, the single most important sector to the economy apart from mining, has been profoundly and directly affected. Zambia is now at a pivotal point as the government loosens its grip on the economy and the private sector begins to take on broader responsibilities. Like any change, it is fraught with pitfalls and danger. Clear potential exists for temporary adjustment problems which, if not resolved swiftly, could discredit the liberalization movement, provoke political instability, and jeopardize the entire reform program.

Nowhere are the potential benefits and dangers of this transformation more evident than in the agricultural sector. Section I indicates the immense price society paid as result of now-discredited policies of the former regime. With the decline of the mining sector, agriculture will play an increasingly important role in the total economic well-being of the country. Now that the yoke of inappropriate policies has been lifted, its enormous potential can begin to be realized.

A1. Sector Sub-Goals

The analytical framework suggests that there are three subgoals supporting the overall sector goal of a successful transition to a market-based agricultural sector: *a public sector that facilitates changes in the agricultural economy, a functional agricultural private sector, and political stability maintained through a food security safety net.*

Public Sector Facilitates Agricultural Economy. Section V B2, Capacity of the Public Sector, shows that the public sector is not adequately prepared to assume its new role as facilitator and regulator of economic activity in the agricultural sector. Leadership and enthusiasm for a market-based agricultural system are found almost exclusively in a thin layer of senior governmental officials and expatriate consultants; employees of the public sector have not yet been integrated into the process of supporting and encouraging the transition. The bureaucracy is bloated, and needs to be both upgraded and trimmed. New skills need to be learned and new organizational structures established, to facilitate and regulate the market to assure its maximum efficiency. Effectively functioning markets require a strong and capable public sector.

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Functional Private Sector in Agriculture. The principal actor in a competitive marketplace is the private sector. As discussed in Section V B3, Capacity of the Private Sector, during the 28 years since independence, state participation in the agricultural economy has been pervasive, leaving a private sector ill-prepared to respond to new market driven responsibilities. In the past, the government made market decisions, which now devolve onto the private sector. A lack of market orientation pervades the private sector. Gathering and using information, focusing on client or customer needs, quality control, and other factors, are all skills to be enhanced in the private sector.

Political Stability Maintained Through a Safety Net. The scenario laid out in Section V C, Scenario on Transition, underscores the potential danger of political instability created by initial hardships of the transition process. A lag between consumer incomes and increased product prices is inevitable. Vulnerable groups in the economy are usually the most seriously affected as food prices and transportation costs escalate, and they are the least able to make necessary financial and social adjustments to take advantage of a liberalized market. Consequently, it is likely that in the initial period of the transition, their well-being, already dubious, may further deteriorate. The subsequent hardship and potential for political instability could jeopardize the entire transition process. Therefore, it is important to develop an appropriate safety net, especially related to food security, to cushion the pain the changes in the agricultural sector are expected to cause.

B. Major Conclusions from the Analytical Framework

The marketplace matrix, detailed in Section V A, is a useful tool to identify areas of donor and government attention as the transition process unfolds. A number of judgments based on the collected knowledge of experts in the field were codified in the matrix. This is a time-sensitive process, since the transition taking place in the agriculture sector is dynamic and, to some extent, unpredictable. Items identified today for particular attention might not be the same six or eight months from now. The matrix as a tool, however, remains constant. Judgment on attributes within the matrix may evolve, and elements of the analytical framework are dynamic. The capabilities of both the public and private sector will change. The scenario framework is probably the most dynamic. With this caveat, certain conclusions about transformation of the agriculture sector can be drawn from the analytical framework.

The marketplace matrix establishes three general classes of attributes required to establish a competitive, open-market agricultural sector. The first classification contains attributes with a combination of low status (1 or 2), high priority, and a need for short-term implementation—the most urgent. The second is comprised of attributes with low status, high priority, and medium-term execution; the third involves those with low status, medium priority, and a medium-term need to be achieved. Attributes outside these three classes are of lesser importance. We hasten to emphasize, however, that they should not be ignored. Some may need immediate attention, and if a long gestation period is needed before results are achieved, efforts to get the ball rolling should start long before they become essential. Following are attributes in each of the classifications noted above, seen in the present marketplace matrix.

Low Status—High Priority—Short-term Time Frame. Two general areas fall into this classification—market information and the legal system concerned with contract law. Both the collection and dissemination of agricultural market information have a low present status, high priority, and the need to be established rapidly. Contract law is the same, including establishment of the appropriate legal structure for contracts and agricultural transactions, establishing enforcement procedures, and development of a system of effective and timely resolution of contract disputes.

Low Status—High Priority—Medium-term Time Frame. A single attribute falls into this classification, development of market facilities, referring to the construction of centers where collection, storage, processing, and negotiation which characterize market transactions can take place.

Low Status—Medium Priority—Medium-term Time Frame. Nine attributes fall into this classification, and scarce information precludes ranking them with any degree of certainty. What this list provides is a pool of activities that contribute to the successful creation of an agricultural competitive marketplace:

- Functioning land market
- Free access to world-wide technology
- Available agricultural machinery
- Multiple sources of agricultural credit
- Ability to transfer funds within and to the agricultural economy
- Ability to use stock as collateral
- Establishment of grades and standards
- Mechanisms to administer and enforce grades and standards
- Wide use of correct labeling on agricultural products

The marketplace matrix is one means to sort and select program options to help achieve sector goals, but it is only a beginning, and has its limitations. Bear in mind that it is only one tool among several. It is important to work through the entire framework to get a balanced picture of program options to be considered for USAID funding.

Reviewing the analytical framework for program options provides much the same information found in Section VIA on sector goals. Not surprisingly, the program options found in the framework other than the marketplace matrix are very similar to our subgoals, the difference being operational descriptions to achieve results. We now review these three non-matrix framework elements in terms of potential program options.

The review of the public sector element of the framework highlighted several weaknesses impinging on its ability to play the supportive role required for a successful open market structure. Two weaknesses stand out—lack of understanding of what is required of the public sector in the new environment, and the unsuitable structure of the Ministry of Agriculture, Food and Fisheries (MAFF).

Appropriate planning, regulations, and support of the market are new fields for most Zambian government planners, technicians and officials. Nevertheless, it is a very positive sign, for example, that the government is moving forward with the agricultural task force, which could help identify priorities and actions to accelerate market development and to facilitate agricultural development activity in the country. It is still uncertain, however, if adequate planning expertise exists in the present government staff to deal with a capitalistic, competitive marketplace. The changes in mentality over the last year represent a sea change from the state-control mind-set over the last quarter century. As transition in the agricultural sector proceeds, many decisions must be made, disputes resolved, and problems solved, all of which require considerable skill on the part of government planners and decision makers, most of which will have to be made quickly, often without adequate information. Under these circumstances, courses of action must be decided on intuition and experience. Except for a few senior officials, bureaucrats are the same ones who managed the agricultural sector, primarily through state control, since independence. Can these leopards really change their spots?

The second major weakness is the structure of the Ministry of Agriculture, Food and Fisheries, which is virtually unchanged from the pre-October 1991 period. Only a veneer of new leadership at the top has been reoriented to the needs of market-based agriculture. MAFF as currently structured and staffed is a bloated institution likely to impede full transition in the sector.

The analysis also indicates weaknesses in the private sector, primarily dealing with lack of experience of entrepreneurs functioning within a competitive market. Many private sector individuals and firms act like U.S. defense contractors; they are adept at producing a pre-determined item or service for the state, but consumer preference, cost control, investment and market analysis, and a host of other competitive market attributes, remain foreign concepts.

The scenario analysis, Section V C, accentuated three areas of concern—liquidity, equity, and stability. The near-term liquidity crunch will adversely affect the agricultural sector. Unfortunately, there is little a bilateral donor like USAID can do to alleviate this situation, and the same is true for the equity issue. Fortunately, the scenario section of the analytical framework is useful in this regard. It can be used to capture interactions among various program options and attributes of the marketplace matrix, and it provides a forum to focus on social and political elements the matrix doesn't include.

The scenario is useful in drawing attention to the equity dimension of any proposed program options, and can also identify appropriate targets for USAID's program activities. We can tell, for example, that the commercial farming sector should prosper with liberalization of the agricultural economy; it needs little assistance except to ensure that the transition takes place. Of particular interest to USAID from both the equity and economic point of view are emergent farmers, beginning to move into commercial agriculture. Many of them are retired government workers with resources necessary to take risks in commercial farming. Because they are relatively small-scale farmers but also numerous, they are an

important equity-based target. Emergent farmers are more efficient resource users, making them important from an economic point of view.

One important interrelationship in the scenario is the link among equity, emergent farmers, credit, and land markets. Once the liquidity situation improves, commercial farmers will have few problems in getting necessary loans to invest in their operations. Emergent farmers, however, cannot easily tap normal commercial credit sources because they lack title to their land. The land market also plays a critical important role in improving the well-being of women-headed farm households.

The final major point made in the scenario relates to the issue of political stability, since the transition period could be painful for certain groups. The urban poor and people in the outlying regions will be adversely affected by the initial changes. The question of food security is one of most critical of the transition process. Liberalization of the agricultural economy requires a modicum of political stability and ultimately, legitimization by the general population. If the food security situation becomes acute, it could jeopardize both elements, which points up the need for a safety net.

This review considers eight program options divided into three groupings—marketplace development, transition management, and political stability. Within the marketplace development grouping there are four program options including rural marketplace development, market-oriented legal structure, development of the land market, and enterprise training and development. Two program options fall under the transition management rubric: agricultural sector transition support and reform of the Ministry of Agriculture. Under political stability is food security support for vulnerable groups. In Section VII, below, we examine these program options and their prioritization in more detail. First, however, to rank these options, we need to understand USAID's selection criteria.

C. USAID Selection Criteria

USAID uses six principal criteria to rank and select the program options it considers for funding and support: internal management constraints within USAID, funding considerations, comparative advantage, complementarity to mission program, complementarity to other donor programs, and opportunity cost among sectors and options.

USAID management constraints. USAID has had limited staff. The mission recently requested three additional direct hire slots, one of which is likely to be filled by a program economist. If one of the other two goes to agriculture, it would increase the agriculture staff from one to two. Any new program option being considered needs to be seen in the light of the management load on USAID staff in supporting it. In addition, it is important to know how it dovetails with other mission activity, and whether or not management work could be assigned to contractors.

Funding considerations. Available funding is an obvious selection consideration. The mission in FY 92 designed and obligated three new projects; its two current agricultural projects will be ending in CY 93. Given the three new starts, it is uncertain when funding

will be available to begin a new program activity. Other issues to be considered include, for example, what the total funding requirement would be for the particular program option. It is also important to know if funding (start-up date) can be delayed. Flexibility in funding requirements is another key consideration.

USAID comparative advantage. A further consideration is how adaptable an option is to the way USAID operates. Another point to think about is whether U.S. firms have a comparative advantage in providing goods and services required, such as trade and investment opportunities for U.S. firms.

Complementarity to mission program. A program option should complement U.S. presence in the country. How consistent is it with AID basic objectives? How does the program option fit into the total mission program? In addition, how do other projects support or complement a given program option, or vice versa? How well does the option conform to the strategic objectives of the mission?

Complementarily to other donor programs. New options being considered by the mission should complement programs and projects in the sector funded by other donors. What other donors are engaged in this program area? How does this program complement and support their programs?

Opportunity cost of other programs and sectors. Any funding and support of a given option by USAID must also be viewed in terms of priority areas sacrificed. Given USAID's limited funds, decisions must be made whether it may be better to use funds for agriculture, health, or for another sector. Even within a given sector an opportunity cost exists to support marketing, say, over education or any other option. This is often a macro-level decision. Any individual program option cannot, by itself, calculate its value against all other options. Nevertheless, its value should be as well defined as possible.

SECTION VII

GENERAL PROGRAM OPTIONS AND PRIORITIZATION

SECTION VII
GENERAL PROGRAM OPTIONS AND PRIORITIZATION

A. General Program Options and Prioritization

The analytical framework laid out in Section V indicates seven suggested program options, representing the most significant activities to achieve a smooth transition toward a market-based agricultural economy. It also noted the principal USAID selection criteria for ranking these options for possible support. To facilitate this process, a program option matrix has been developed (Table VII-1 on the following page). This matrix lists the program options on the vertical axis and various evaluation elements on the horizontal axis, including columns to evaluate how well each program option satisfies the three subgoals established for the sector—facilitating public sector, functioning private sector, and political stability helped by a food safety net. Next are columns for results of each of the six USAID selection criteria discussed in Section IV B. Finally, a column is provided for evaluating how well each program option responds to the attributes of the End of Transition Status in the marketplace matrix.

The program option matrix is a formalized way to gather information and make objective judgments, and can be used to determine future directions for USAID intervention in the agriculture sector. A critical missing ingredient in the present matrix is weights for each of the evaluation elements, since not all are equally important. To become a practical and useful tool, USAID should assign weights to the evaluation columns, based upon what will give maximum impact.

Since the program option matrix deals only with options developed for the agriculture sector, it cannot help determine opportunity costs of these options against those in other sectors. The matrix, however, does provide a column for evaluating opportunity costs among the given options.

This section contains a description of each policy option identified in Section VI with a narrative on each evaluation element, which represents the best combined judgment of the assessment and strategy team. This information will serve as a guide for the mission to rank the options.

Beforehand, however, a more fundamental and, in some ways, more practical point needs to be addressed. This assessment and strategy is being completed in the early part of 1993. This document will be incorporated into the Country Program Strategy Plan (CPSP) and sent to Washington for its review and eventual approval. As noted under funding considerations in Section VI C, there is a question about when a new program activity in agriculture could begin. At this point, it appears likely that there will not be funding available for a possible agriculture project until at least FY 94. As previously noted, the two existing projects in agriculture will end in CY 1993. The PACDs for the ZATPID II and

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Table VII-1. Program Options Matrix

Program Options	Sub-Goal			USAID Selection Criteria						EOTS
	1	2	3	a	b	c	d	e	f	
MARKETPLACE DEVELOPMENT: Rural Marketplace Development										
Marketplace Legal Structure										
Development of Land Market										
Enterprise Training & Development										
TRANSITION MANAGEMENT: Agricultural Sector Transition Support										
Reform of Ministry of Agriculture										
POLITICAL STABILITY (SAFETY NET) Vulnerable Group Food Support										

Subgoals:
1 — Public sector facilitates agricultural economy
2 — Functional private sector in agriculture
3 — Safety net maintains political stability

Selection Criteria:
a — USAID management constraint
b — Funding consideration
c — USAID comparative advantage
d — Complementarity to Mission program
e — Complementarity to other Donor Programs
f — Opportunity Costs
EOTS — End of transition status

ZAMS project are June and October, 1993, respectively. Given normal AID programming and contracting procedures, it takes at least a year and a half between the time a project is initially identified (start of a PID) until a contractor is on the ground implementing it. Therefore, a new agricultural start cannot take place until sometime in FY 94.

An issue related to determining program priorities has been the recent initiative on the part of the government to take control of the agricultural sector. In Section II A, the results of the initial work of the new interministerial agriculture task force are summarized. It represents a new confidence and a new capability of the GRZ to find appropriate and effective ways to influence agricultural development in the country. Both government and donors have high hopes that the task force will play a much more dominant role in directing development activities in the agricultural sector. This may include a greater interest in directing donor involvement.

USAID should support the efforts of this task force. The forces of change in Zambia are both economic and political, and the task force reflects this by being drawn not just from the Ministry of Agriculture but from other ministries and private sector concerns as well. It represents an unprecedented political act of participatory democracy, and it is an important step to ensure that the voice of the people is heard in planning the development process.

For USAID, the cost of working closely with the task force is small compared with potential benefits. Even if it is not successful, the process hasn't necessarily failed; other task forces or institutional structures could keep it moving forward. At worst, USAID still would maintain its option to prepare a program in its normal manner. Even a small success, however, would result in reduced dependency on the part of the government, a greater chance the government would be on-board with the proposed program option, fewer programming errors and unsuccessful projects, and reduced cost to USAID because of diminished need to "buy" policy changes. Most importantly, if the task force succeeds in bringing in a broad voice of the people into decision making, it will provide an important means to legitimize the present regime and the liberalization program, and to get a real commitment by government of development in the agricultural sector.

Given the above, it seems appropriate to suggest that the mission share the analytical framework and its marketplace matrix with the task force, since it would be a useful tool to achieve the goal of liberalization of agricultural markets. Such close collaboration with the task force is likely to provide a solid foundation for USAID programming in the agricultural sector, and change the relationship between USAID and the GRZ from one of over-dependency to a full-fledged partnership. Such action would not diminish the value of this analysis, which is, we believe, valid under present circumstances. But taking advantage of the government's initiative in creating the task force could provide a realistic approach to programming in the agriculture sector.

One final point: it is extremely unfortunate that USAID projects in the agriculture sector are ending at this critical time in Zambian's development history. At the beginning of U.S. involvement in the Second World War, President Franklin Roosevelt made a stirring speech telling the American people that they had a "rendezvous with destiny." In many

ways, Zambia now has its own rendezvous with destiny. Events over the next two to three years may determine the outcome of Zambia's economic well-being and social stability, particularly true in the agricultural sector. For this reason, it would seem manifest that the U.S., through USAID, can and should provide close support and guidance to the Zambian government as it moves toward a market economy. USAID has a powerful capability to advise and support the government in this area, and to walk away from direct involvement with the agriculture sector at this critical time would be a strategic blunder not only for the U.S. government but also for Zambia. The mission should explore all avenues of providing continual and direct support to senior government officials as they work through delicate issues during the transition period.

B. Description of Specific Program Options

We now examine the seven suggested program options. It is important to note that these are *program* options, not *project* options. A single project may group together a combination of program options, depending on its design and funding.

In Section VI.B, it was noted that the seven program options are divided into three groups—marketplace development, transition management, and political stability. We begin with the first group.

B1. Marketplace Development

These four program options relate to activities that support the operation of markets, and run the gamut from market infrastructure to contract law. With the overwhelming previous involvement by the state in agricultural markets, a great deal needs to be done to create basic conditions for a competitive market.

B1a. Rural Marketplace Development

The rural populace, especially in more remote locations, is likely to be the hardest hit during the transition to an open economy. As it represents a minor political force, it is likely to attract little attention during the process. One area where this will be important concerns market support for the purchase of inputs and the sale of farm output. Under the previous regime, the state dominated these activities through the Zambian Cooperative Federation (ZCF). This structure, with its hierarchy of cooperative organizations, is now facing the competitive pressures of a non-subsidized open market. Many of these cooperatives, particularly in the rural and remote areas, will fail. The private sector, being repressed by the state for so many years, is not able to immediately fill this loss of marketing structure.

The changing agricultural marketplace can be viewed as an opportunity. Rather than providing a safety net that is only food-oriented, for example, a complementary effort could be pursued which seeks to enhance the ability and capacity of targeted rural areas to create and supply markets and generate income. This effort should not only increase rural capability to be self-sufficient, but contribute to country-wide productivity.

An important question is how to encourage greater private sector participation in these rural markets. The answer lies in the realization that markets materialize when buyers and sellers want and need a transaction to take place, since the important element in supporting the development of a market is the assurance of transactions. Simply put, someone has something to sell and someone else wants to buy it.

How does this define our rural marketplace development activity? The most obvious choice might be improvement or construction of market facilities, but just focusing on the "hardware" side of market development has a number of drawbacks. One of these is that the project may undercut the private sector by doing something it should be doing itself. Another is the very real possibility of constructing a series of white elephants in the middle of nowhere. As in any real estate endeavor the most important factor is location, location, location. But how is this location determined? The answer is that the perceived need for the marketplace has to precede building any physical facilities. And how does that happen? By people wanting to make a market transaction. This desire comes from area-wide commodity supply and demand, market times, possibly even road conditions and alternate routes, etc.

Gathering information is one of the activities of the new World Bank program in marketing (see below), so in this option we are not talking about gathering information—although some may need to be collected—but rather getting it to market participants and providing resources to use and benefit from this information.

A particular area of importance in this regard is regional exports. Until the recent liberalization of the economy, particularly the foreign exchange rate, regional exports were virtually impossible. Today, that has changed. The World Bank has singled out four crops for potential export possibility—tobacco, cotton, coffee, and maize. U.S. assistance to export crop production is limited by the Bumpers Amendment and other legislation. However, with the possible exception of tobacco and coffee, these crops are generally destined to regional markets and would not be directly competitive with U.S. farm exports.

Of these four crops, maize is the most interesting because of its potential volume and ease of production. Considerable illegal trade in maize already takes place across the Zaire and Malawi/Mozambique borders—estimates range as high as 150,000 mt—due in part to the artificially low price of Zambian maize. Even at true prices, however, there is considerable potential. The bank estimates that this could represent as much as $24 million in additional export revenue by 1996.

The World Bank is supporting marketing activity with a new $33 million Agricultural Marketing and Processing Infrastructure Project, consisting of five components primarily directed towards maize marketing: 1) a lending program through three commercial banks for market related activities and investments, 2) rehabilitation of 1,000 km of rural roads, 3) market information collection, 4) policy reforms, and 5) technical assistance. The option proposed here would complement and expand the Bank project.

USAID activity in this area is likely to be done as a separate activity coordinated with the bank's project but not necessarily linked to it. The emphasis of this option would be on

regions outside those covered by the bank (Lusaka, Central and Southern Provinces) for support of maize input and output marketing. In addition, this option would work with crops other than maize (sorghum, oilseeds, etc.), and traditional and non-traditional export crops for regional markets.

Four components are in this proposed option, the first of which is financial support, which would expand the range and volume of credit from the World Bank's project to the private sector from the commercial banking system. The credit would be targeted to support marketing, processing, transportation and other appropriate activity to develop and expand the marketplace.

The second is dissemination of market information. It will take the information gathered by the bank project (in some cases gather its own information), and establish public and private mechanisms to package and deliver it to the various participants (buyers and sellers) in the market seeking a market transaction.

The third component concerns direct market support and linkage activities, and will resemble to a certain extent the work now being done by the ZAMS project. Working with NGOs, trade associations, and PVOs, USAID would provide funds for developing and testing prototype processing equipment, local marketplace development or improvement, locally initiated studies, and other direct interventions in support of the marketplace. Its role is to facilitate the market and to provide new technology and linkages that would not be readily available to local participants in the market. To the extent possible, the actual hands-on work would be done by organizations associated with this component who would, in turn, be responsible for the maintenance, follow through, and multiplication of the initially supported effort. This work could be done by some form of local grants.

The final component would be technical assistance, responsible for monitoring the project and the marketplace, proposing appropriate policy changes to facilitate market activity, and investigating new market opportunities, particularly for diversified crops and regional exports.

Feasibility Criteria

Relationship to Subgoals

Subgoal 1 - Government able to facilitate and regulate economic activity. Activities in this option could help the public sector facilitate market developments, including support for diffusion of information, market studies, and support for export crop marketing. The development of marketplace centers would also be an important part of the public sector support.

Subgoal 2 - Functional private sector in agriculture. This option, with a strong relationship to the subgoal, is directly related to the functioning of the private sector. Financial support should allow greater private sector investment in marketplace activity. Access to information and new technology should increase private sector efficiency. Export

markets could be an important source of economic growth for a number of private sector firms.

Subgoal 3 - Political stability through a food safety net. By providing a more functional marketplace for food and agricultural products, this option indirectly helps ensure food security. It would not, however, be directly supportive of food security action.

USAID Selection Criteria

USAID management constraints. The management demands of this option should be average to low level. Some of the activities follow in the footsteps of the World Bank, which should make the approach used more easily understood and supported by the government and banking community. This option is also similar to the ZAMS project which has a management track record to follow.

Funding considerations. Funding of this option depends on how elaborate and comprehensive the project is. It has a lot of flexibility both in amount and timing, which should make funding easier.

USAID comparative advantage. Part of this option is similar to the ZAMS project, providing some background within the mission on this type of work, including contacts in the field. In addition, cooperative organizations in the U.S. have done a number of similar projects.

Complementarity to mission program. This option is highly complementary to the mission's program. It follows and reinforces a similar project in the portfolio. As part of a private sector orientation, it is directly involved in marketplace development.

Complementarity to other donor programs. As noted, the World Bank is just starting a major project in this area. This option would directly expand and complement this project. It is assumed that close contact and coordination would take place between the two.

Opportunity cost. This option has a moderate opportunity cost relative to the other options on the list. The most important would occur if this option expands and earmarks a significant portion of the mission's funding. Given the importance of marketplace development to the near term development prospects of the country, the value of this option would be quite high compared to other possible options.

Relevance to End of Transition Status

Depending on how broad a scope it would have, there would be a very strong relevance of this option to the end of transition status. This option directly relates to the development of a competitive market and fills an essential gap in the countryside required for the transition to a market economy.

B1b. Development of Supportive Legal System

An urgent need exists to bring commercial law and regulations in line with liberalization and decontrol. The Companies Act, essentially unchanged from its enactment in 1910, is the basic legislative foundation for commercial law in the country. The government is in the process of modifying other related acts such as the Marketing Act, the Investment Act, and the Banking Act. A major constraint to this process is that there are only two legal draftsmen in the country.

A common complaint raised in the agricultural sector is difficulty in making and enforcing a business contract. Bankers, truckers, commercial farmers, millers, and suppliers all voice this as a fundamental drawback in undertaking expansion of their operations. It is also a significant factor inhibiting contract farming, commercial loans, and other forms of business associations or transactions. The Companies Act is difficult to administer, complicated by the absence of small claims courts or commercial courts. Local jurisprudence on business law questions does not exist because court decisions are not published. Judges in most cases are poorly trained in business law matters. The assessment team learned of several cases which were dropped because the legal process was taking years to resolve disputes.

As the GRZ liberalizes the economy, it has an increased responsibility to consumers and the private sector to establish the parameters within which free markets can operate. On the one hand, it is for the public good (consumer protection), and on the other it provides the private sector the confidence that the legal provisions for transacting business and resolving disputes are transparent, fair, and enforceable.

This option would have two components: technical assistance and training. Experts on business law would examine the present legal structure and make recommendations on legislation to make commercial law in the country supportive of economic and agricultural development. This would be reinforced by training judges, clerks, businessmen, and legislators on the special needs of business law, particularly as it relates to agriculture.

Given the importance of the agricultural sector, the expert advice and training in this option would need to consider specific legislation needed in agricultural and agribusiness business transactions. Contract farming, agricultural storage, transportation of agricultural goods, and buying and selling agricultural products are important concerns. Because most goods in the agricultural sector are biologically-based, they require special considerations as far as commercial law is concern.

Feasibility Criteria

Relationship to Sub-goals

Subgoal 1 - Government able to facilitate and regulate economic activity. Of all the services the government could provide to facilitate the market, a viable legal system for

contracts and contract disputes resolution is potentially the most important. Any constraint of freely entering into a contract is a major inhibitor of the market.

Subgoal 2 - Functional private sector in agriculture. This option has the strongest possible relationship to a functioning private sector. As noted above, the ease to make and enforce business contracts represents the single most important need for the long-term viability of the market.

Subgoal 3 - Political stability through a food safety net. Legal issues concerning contracts would be an important factor in providing a food security safety net. A well-functioning legal system supporting business contracts would support a more efficient marketplace for food. This should lower the cost of food which, in turn, supports food security.

USAID Selection Criteria

USAID management constraints. This option would present an average management burden to USAID. However, more management might become necessary if high-level negotiations on policies take place or if political disputes arise as the result of shifting power away from existing members of the legal and judicial system.

Funding considerations. Assuming the government is committed to the policy and institutional changes this option would require, funding considerations of this option would be quite limited. If leverage is needed to "sweeten the pot," however, it would be much more costly.

USAID comparative advantage. We are a nation of lawyers and litigation, which can be both good and bad. In general, the U.S. has a strong comparative advantage in business law and enforcement. If binding mediation is recommended, we have especially strong resources in this area.

Complementarity to mission program. Development of a commercial legal structure is highly complementary to the mission's program. It could even be argued that it is more properly addressed as part of the existing democracy and governance project.

Complementarity to other donor programs. No other donor is working in this area; however, a sound commercial legal structure is essential for the success of donor efforts in support of the new government's reforms. For this reason, this option has a high complementarity to other donor programs.

Opportunity cost. The opportunity cost of this option is low. If government desires this type of assistance from USAID, it should require limited funding and mission involvement. The potential returns on this activity could be very high—in fact, stronger than most other development investments.

Relevance to End of Transition Status

This option has the highest relevance of all the options in this list. The lack of adequate commercial legal environment is an all-pervasive inhibiting force on the entire process of moving towards a fully competitive marketplace.

B1c. Development of a Land Market

As the transformation of the agricultural sector progresses, several pressing issues emerge. What should be done to encourage an equitable distribution of the benefits of the open market? How can capital be infused into the rural sector without triggering a major increase in inflation? How can a broader spectrum of the farming population be brought into the market economy? What steps should be taken to rationalize resource use in the sector? One of the most important answers is to develop an efficient land market for the entire country, which would provide direct benefits to commercial, emerging, and smallholder farmers.

Land tenure in Zambia agriculture can be looked at as two separate but related issues, leasehold land on State Land and customary land tenure systems.

The initial land tenure system in the country was established by the British in the colonial period to encourage commercial agriculture and mining in designated areas known as Crown Land. The Land (Conversion of Titles) Act of 1975 and 1985 converted Crown Land into State Land vested in the head of state, and converted all land title in Crown Land to leasehold land under state ownership. Leases of 99 years could be granted for the land only by the president through the Commissioner of Lands. Leasehold land can be traded or sold but only improvements on the land have value; the land itself has none. The reason for this is the belief that value of land is the result of externalities (e.g., location, soil quality, population growth), the benefit of which should not go to the individual who owns the land. An equitable progressive land tax, however, would allow the economy as a whole to benefit from increased land value and call the validity of this belief into question.

State Land makes up about 6 percent of the total land in the country but represents some of the highest quality land available. The state can take land from the leaseholder if a breach of any covenant in the lease occurs. Abuse of this power by the state has created the impression of limited security of land tenure, which has led to extremely cautious investment by commercial farmers. An additional constraint on new investments in commercial farming is the poor administrative structure related to leasehold tenure. It often takes 10 years to register a leasehold land, a particular disincentive to foreign investors. In addition, it is illegal to irrigate leasehold land unless it is registered.

Control of customary lands has traditionally been under the local leader, and the system varies depending on his power and influence. Emergent and smallholders generally fall within the customary land system, where land is given to them by the local leader, cannot be traded or sold, and has no market value. This system worked well in traditional slash-and-burn agriculture when farmers moved to new fields every few years, but has many

drawbacks for modern market-based agriculture. Unlike leasehold land, customary land cannot be used as collateral, which greatly limits emergent and smallholder farmers' access to commercial credit. It is possible to convert land under the customary tenure system in Reserve and in Trust Lands to leasehold status. To do so, however, requires that the land be surveyed and registered, which immediately encounters the same administrative problems in registering new leasehold land. It takes more than four years just to get the land surveyed. A 14 year temporary lease, however, can be secured on converted leasehold land pending registration.

The fact that land has no value in both the leasehold and customary land tenure systems is a critical deterrent to Zambia's ability to reach its full economic potential. The lack of a land market also has significant equity considerations. The vast majority of the rural poor are smallholder or emergent farmers who cannot capitalize their most important asset—the land they farm.

The economic and social costs of these land tenures systems are far-reaching. The customary land inheritance system, for example, often deprive women farmers of their land and prevents them from access to means to better their well-being. If land increases in real (if not monetized value) by being near an urban center or having high agricultural quality, local leaders often use their position to profit from the situation. Lack of land markets curtails long-term investment in land. The inability of farmers in the customary land system to use land as collateral retards the growth of the emergent farmers. Since it is perceived to be of no value, land is prone to misuse and degradation. The leasehold land tenure system is also fraught with problems, from misuse of land to retarded investment in commercial agriculture. There is unanimity among observers of Zambia's agricultural development that land tenure and a market for land are among the most important elements to achieving Zambia's agricultural potential.

This option proposes to deal with this issue in two stages. The first is to get a better understanding of the problem and to begin policy dialogue on creation of a land market. As this brief description indicates, the land tenure system in Zambia is complex; in fact, it is one of the most complex in Africa. To change it will require an in-depth knowledge of the system. In addition, an understanding is needed of all the auxiliary linkages to this system such as grazing rights, water rights, etc. Appropriate studies can be conducted by groups such as the Land Tenure Center in Madison, Wisconsin. Support for such an effort could be done with Project Development and Support (PD&S) fund, Non-Project Assistance (NPA), or as a buy-in.

While this study is in progress, the mission should engage in policy dialogue on this issue with government, donors, and the private sector. Land tenure is a highly political and sensitive topic that will need to be approached with great care. The purchase of commercial farm land by white South Africans and Zimbabweans is another potentially contentious question. It is important the mission know the actors related to this issue, and, if possible, gain their trust and understanding. An encouraging sign is that the government is pressing for changes in the economy and political structure as soon as possible. Officials have demonstrated that they are not afraid to take on the more difficult issues, such as the maize

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meal subsidy. It is important that the mission provide government sound advice on the land tenure question to help avoid mistakes or making eventual reforms harder to undertake. Finally and most important, a program as delicate and politically risky as land tenure cannot be undertaken without a strong and stated commitment from government and other political forces within the country.

The second phase of this option is to use the knowledge acquired during the first phase and begin to develop an implementation program. It is too early to be definite on the components of this project, but three appear to be likely: policy action, institutional and technical support, and technical assistance. The policy actions would be built around a policy agenda developed early. A funding inducement may be necessary to support this. The second component would be training and providing equipment and other resources to improve the efficiency of land surveying and registration. To the extent possible, land surveying should be a private sector undertaking. Finally, the third component would be technical assistance to monitor the project, refine the policy agenda, and provide support and advice to the government to facilitate a smooth program to create a land market and reformed land tenure system.

Feasibility Criteria

Subgoal 1 - Government able to facilitate and regulate economic activity. This option will impact on public sector capability by providing the ability to increase government revenue through a property tax, and giving greater legitimacy to the government by showing that it is dealing with issues with important economic and equity ramifications.

Subgoal 2 - Functional private sector in agriculture. This option would have a major impact on private sector capability in several ways. Giving title to land to smallholder farmers creates capital in the private sector and enables them to obtain loans from the commercial banking system. The combination of title rights and property taxes should lead to a more rational economic use of land. A land market should allow regrouping of small land parcels into larger economic units with proper compensation to present occupants and customary title holders, creating greater confidence among commercial farmers, thus stimulating investment in the sector.

Subgoal 3 - Basic food needs of the poorer segment of the population effectively addressed. The development of a land market will have a direct effect on the welfare of the poorer segment of the rural population by allowing smallholders to monetize one of their few resources in an equitable manner.

USAID management constraints. This option will be a relatively heavy management load on the mission in the initial phases, since major policy issues have to be addressed. Contractors, however, would be able to handle most of the design and on-the-ground implementation of the project.

Funding considerations. The actual funding needs of this program, for technical assistance and support activity, will be relatively modest compared with other projects.

Obtaining agreement of government on the policy issues, though, may require linkage to access of program funds.

USAID comparative advantage. The U.S. has strong comparative advantage in the area of land markets and land legislation. The Land Tenure Center in Wisconsin, for example, has a worldwide reputation. As one of the main spokespersons for markets and democracy, USAID is well-placed to undertake this type of activity among other donors.

Complementarity to mission portfolio. This activity would be well-linked to other projects in the portfolio. It complements the governance project and is a privatization activity involving the major resource in the country—rural land. This option would also have a major impact on women and could be one of the most significant WID activities the mission undertakes.

Opportunity cost. It is difficult to determine the opportunity cost of this option. On the one hand, these costs may be high, given the scale of the task to be undertaken and the potential political costs. On the other hand, the gain in terms of expanding the capital base of the emergent farmers could be as far-reaching as any other option being considered.

Relevance to End of Transition Status

Establishing a viable land market throughout the country is the single most important element to bring emergent and smallholder farmers into the competitive market. In addition, the equity considerations of this option could result in widespread benefits to a targeted audience of emergent farmers, particularly women. It could be very relevant to end of transition status.

B1d. Enterprise Development

After more than a generation of state-controlled economy, the majority of Zambia's soon-to-be-privatized agribusiness companies and private businesses are ill-prepared to compete in a liberalized market economy. As discussed earlier, large segments of the agriculture and agribusiness sub-sectors lack an understanding of how to operate, since private companies tended to respond to the state, not market forces. Most economic activity took place within state-controlled organizations. Decision making and operational procedures in a public organization in a command economy are very different from those of a private organization in a market economy.

Entrepreneurs and business people also lack a myriad of market-related abilities. Enterprise development would seek to improve the capacity and capability of Zambian managers in the agricultural sector to use the market to define and support their enterprises. This will require many skills: how to react competitively, how to identify consumer needs, and how to develop and market products which meet those needs. In addition, a need exists to focus on improving the abilities of Zambian agriculture and agribusiness managers to improve the efficiency of their capital through information management, rationalization of assets, selection of technology, and personnel management.

This option is basically a targeted training program aimed at improving business management skills among entrepreneurs in the agricultural sector and agriculturally-related industry and commerce. Since this represents the largest part of the economy, it should have wide impact on the ability of the private sector to function more effectively. This option could be implemented in a number of ways, including short courses, mass education, and workshops. To the extent possible, it should be handled by the private sector itself to assure replicability and sustainability. Trade associations and other local structures could be used.

Feasibility Criteria

Relationship to Subgoals

Subgoal 1 - Government able to facilitate and regulate economic activity. This option would have impact on public sector activity to the extent that information about managerial and other difficulties encountered by participants in this program could be used in policy formation and decision making. By making former state-controlled agribusiness concerns more effective and efficient, this option supports the transition process and provides sources of additional government revenue.

Subgoal 2 - Functional private sector in agriculture. This program option is directed specifically at the private sector and its entrepreneurial needs. It is very important for the effective functioning of the private sector in the market.

Subgoal 3 - Political stability through a food safety net. The short-term impact of this option on the food safety net would be marginal. As increased managerial skills filter into food distribution and related areas, positive results from this option could benefit the food safety net.

USAID Selection Criteria

USAID management constraints. The management burden of this option could be relatively small, especially since much of the day-to-day management could be handled by contractors. If the private sector within the country were involved, it could also be responsible for some of the local management requirements.

Funding considerations. Funding considerations for this option should be about average.

USAID comparative advantage. The U.S. has a very strong comparative advantage in enterprise training. From the Harvard Business School to an array of smaller organizations doing seminars and in-house training, U.S. firms can provide a full range of services in this area. USAID also has a strong track record in training activities.

Complementarity to mission program. Enterprise training is very much in line with the private sector and market orientation of the mission. This option is not now directly linked to other mission projects, but could be a part of the Privatization Project.

Complementarity to other donor programs. No other donor is working in this area. Nevertheless, increased entrepreneurial and market skills of the private sector would support and advance other donor programs.

Opportunity cost. Opportunity cost of this option should be relatively low, due to its low cost and management burden.

Relevance to End of Transition Status

Compared with the other options listed here, enterprise training is of mid-range relevance to establishing a competitive marketplace. This is not to say that it is not important, just that other options have higher priority.

B2. Transition Management

The transition from a command-driven to a market-based economy in agriculture is one of the strategy objectives of the USAID Mission in Zambia. The two options in this group, predominately in the public sector, are directly related to managing this transition process. Senior planners and officials, particularly in the Ministry of Agriculture, Food and Fisheries, have primary responsibility for managing the transition process. USAID, as an important donor in agriculture, can support this transition by providing advice and support as issues arise during such a profound change of econ[illegible] structure.

B2a. Agricultural Sector Transition Management

The changes now occurring in the agriculture sector are breaking new and unfamiliar ground for Zambian officials and policy makers. In the initial year of these changes, most of their effort has been directed to drought-related crisis management, and they have consequently done little planning on how to move the transition forward in a coordinated manner. While senior officials are seriously committed to the changes now underway, they have limited skill in creating what is, in fact, a radically new economic structure. In addition, many of them (those that research, formulate and draft policies and decisions) are not yet fully aware of or, in some cases, fully supportive of, these changes.

An example can best clarify this issue. In mid-December last year, concerns were raised about retailers in the Copperbelt region charging higher prices for mealy meal than recommended by the state-controlled mills. The government's response was to chastise the retailers, threaten to increase inspections, and to restrict sale of mealy meal only through registered retailers selling at recommended margins—a response far more appropriate to a command economy than a market economy. A market-based response would have been directed to increasing the number of retailers of maize meal, thus creating competition and bringing prices down. A host of similar decisions are made daily by government under conditions of political pressure and limited time, and are made more on the basis of instinct than fact. Twenty-five years of a command economy has not prepared the instincts of government officials for decisions to be made in a market economy, which has an impact on both short-term crisis decision making and long-term planning.

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This option would have two components. One would be the establishment of a flexible mechanism to provide both short- and long-term technical assistance, as appropriate, to the public and the private sector. These technicians would work with Zambian executives and officials developing plans and programs to facilitate the transformation process. Given the extent of the unknowns and the rapidity of the process, some short-term analysis and advice would be required. The bulk of the project's support would be directed, however, to longer range planning. The success of this option depends largely on the technical and personal skills of the technical assistants, so maximum flexibility will be required in their selection.

The second component would support the planning and decision making capability in market economics in both the public and private sector, by providing seminars, workshops, short courses, and other sessions to expand understanding about what makes a market work.

This option is similar in some ways to the ZATPID II project now in its final stages. Its advisors work directly with senior members of government by providing counsel on appropriate decisions and actions. These advisors also work with the task force to do long-range planning for the agricultural sector. Such work would be continued under this option. ZATPID II also has an institution building component, which would not be continued under this effort. Instead, selected government and private sector leaders would be given the opportunity to increase their understanding of market economics and how to plan and make decisions in the new context.

Feasibility Criteria

Relationship to Subgoals

Subgoal 1 - Government able to facilitate and regulate economic activity. Assistance offered to the government though this option is directly supportive of this subgoal. The overriding question of this transition is how government can refrain from direct intervention in the economy but still provide support for the market to allow economic growth. This option directly addresses this question by providing the technical advice and counsel to government to assist in making the right decisions.

Subgoal 2 - Functional private sector in agriculture. If the government makes the right decisions and takes the correct policy action, then the private sector will be able to function more effectively. To the extent that this option encourages the government to do this, then this subgoal is supportive of the private sector.

Subgoal 3 - Political stability through a food safety net. While not directly supportive of this subgoal, this option should help stabilize the political situation by avoiding ineffective actions or those with adverse effects on the transition process.

USAID Selection Criteria

USAID management constraints. This option should be a relatively low management burden on the mission. Operationally it would consist of a small technical assistance team that would be advising government officials and supporting training activities. This work could be done with a buy-in to a centrally funded project, under a project, or though an NPA.

Funding considerations. Funding could go two ways. First, if only a technical assistance team is involved with full support of the government, the cost of this option would be low; if policy leverage is needed, however, the cost factor could be quite high.

USAID comparative advantage. The ZATPID I and II projects have been working with the government in policy planning for almost ten years. Some of its advisors are well known and respected by the government, which gives USAID a comparative advantage in terms of contacts with the government.

Complementarity to mission program. This is an option that dovetails nicely with what the mission would like to do in the country. It is strongly complementary to the mission's program.

Complementarity to other donor programs. Other donors have advisors in the government, including MAFF. Nevertheless, it is expected that this option would be quite complementary to these activities and not present a conflict.

Opportunity cost. The opportunity cost of this option is low. In fact, it can be argued (see above) that the opportunity cost of *not* doing this option is very high. The transition is at a critical stage and needs to be supported.

Relevance to End of Transition Status

This option is directly relevant to the end of transition status. The process of transition is a series of individual decisions, and how well those decisions are made in terms of a market economy will determine how well the transition process works. It is important that the transition produce benefits for the population as soon as possible to continue to enjoy popular support. Reducing the number and extent of misjudgments and poor decisions will accelerate the economy's response to the new incentive structure.

B2b. Reform the Ministry of Agriculture, Food, and Fisheries

The new role of the public sector is, as yet, ill defined, particularly in supporting a market-based agricultural production and marketing system in the Ministry of Agriculture, Food, and Fisheries (MAFF). Initial efforts to redelineate the ministry's role are underway. One of the principal mandates of the recently formed task force on agriculture is to deal with this issue.

The need for such a redefinition is clear. MAFF has developed over the past 25 years as a government structure primarily to support the policies of the previous regime. Times have changed, and the role and structure of MAFF need to change as well. A market economy requires active participation of the public sector for the market to operate at maximum efficiency. As noted in Section V [illegible]1, the public sector assures that a competitive market exists. It provides the proverbial "level playing field" through market information, grades and standards, legal systems, research and extension, and a host of other public services. Some of these can be provided in part by the private sector, but not all. How MAFF is organized and the skills needed by ministry personnel lie at the heart of this option.

MAFF is poorly prepared for its new role. Like many public sector organizations in Zambia, MAFF is over-staffed, under-funded, and lacks personnel with appropriate skills to support a market economy. Downsizing and redirecting MAFF is critical for it to support the changing agricultural sector. The government needs to take a fresh look at MAFF's organizational structure, redefine the role and resources of each subunit in the organization, shed redundant or inappropriate personnel, and retrain the remaining staff. This option would support government in this task.

It would consist of several components, one of which would be technical assistance to help MAFF define its new role and those of its subunits. The work of the task force would help guide these decisions. Technical assistance would also help to determine steps with regard to staffing and resources. In addition, a training component would prepare MAFF personnel to perform their new tasks. Limited commodity support is also desirable in areas where equipment, supplies, and other resources are urgently needed for effective performance. Finally, an optional component, to be negotiated with government, would support the cost of removing redundant personnel from MAFF.

Feasibility Criteria

Relationship to Subgoals

Subgoal 1 - Government able to facilitate and regulate economic activity. The ministry is responsible for guiding and influencing economic activity in the agricultural sector. This option would aid the government accomplishing this within the new context of a market economy. In terms of specific support to the agricultural economy, it may not be as directly relevant to the transition process as the previous options. The process of establishing a fully competitive agricultural economy can continue without reforming MAFF, but it cannot be fully achieved unless this reform takes place.

Subgoal 2 - Functional private sector in agriculture. Reforming MAFF would have significant impact on the private sector. As noted earlier, by providing the necessary public services to support the market, the government helps it operate at maximum efficiency. In these circumstances the private sector also functions best. In the absence of these reforms, MAFF should ideally not interfere in the private sector's operation. This, however, is a less than optimal solution, especially taking institutional inertia into account.

Subgoal 3 - Political stability through a food safety net. This option would have an important impact on the food safety net since it is, after all, primarily a public sector role. The better MAFF can carry out its food sector responsibility, the better the food safety net will work, which reduces the likelihood of political instability caused by disenchanted citizens.

USAID Selection Criteria

USAID management constraints. This option would have mid-range impact on the mission's management burden. These reforms could become politically sensitive, which would require considerable interaction with government, unions, and other interested parties to keep the transition on track.

Funding considerations. If these reforms involve just technical assistance and training, the cost of this process would be moderate. If however, severance pay and other costs of downsizing the ministry are to be absorbed, funding considerations could be considerable.

USAID comparative advantage. Over the past 12 years the U.S. government has undertaken a number of similar reforms of the public sector. Many U.S. firms, for example, have experience in restructuring organizations to increase their efficiency and effectiveness. Given the potentially sensitive political nature of this option, however, questions may be raised on how appropriate it is for a bilateral donor to be involved with this reform.

Complementarity to mission program. This option is moderately complementary to the mission's program. Reform of government ministries may be very useful to the eventual overhaul of the relationship between the public and private sector. It may not, however, be at the top of USAID's priority list.

Complementarity to other donor programs. This option should complement other donor programs well if their efforts are coordinated. In terms of relations with other donors, problems could arise if programs or units of the ministry supported by one donor are deemed by USAID to be redundant. The activity is directly related to the structural reform now being undertaken by the government with the IMF and IBRD.

Opportunity cost. The opportunity cost of this option may be quite high. It will entail both financial and political costs to fully implement, and its potential benefits will have to be weighed against other options.

Relevance to End of Transition Status

The reform of the MAFF will have positive but not overwhelming impact on the transition process. Even it is incapable of carrying out effective action, it may not be a major liability to the transition process as long as it stays out of the way. It would be better if it played a constructive and supportive role, but the cost to get the ministry to do this may

be very high. On the other hand, as noted, the transition will not be complete until MAFF has been reformed to support a market economy.

B3. Political Stability Through a Food Safety Net

The analytical framework of this assessment strongly underlines the need for political stability to assure full and efficient development of a competitive marketplace. The following option deals with this issue as it relates to food security during the transition process.

Removal of price controls and subsidies will allow tradable goods, particularly food, to be valued according to production and marketing costs relative to effective demand. Eventually, increased production will drive prices down to affordable levels for most of the population. Meanwhile, there will be a lack of effective demand from the poorer elements of the society, and thus a need to establish a temporary safety net (without distorting markets) to ensure that their food needs are met.

Food security may be the most critical element of the transition process to retain political support and eventually be fully legitimized by the citizens of Zambia. If people do not have ready access to food, the likelihood of political unrest is very high. One of the first widely applauded actions of the new government dealing with a critical social problem was during the recent drought, when it acted quickly and effectively to establish the Program for Prevention of Malnutrition (PPM). This program—which works through local NGOs, especially its lead donor, the World Food Program (WFP)—to distribute food for the drought-affected population, was given high marks. The issue now is how the government will deal with food security, particularly for vulnerable groups, during more normal conditions. Ideally, WFP should again take the donor lead in this area, but, unfortunately, has so far been reluctant to do so. This option examines ways to encourage both the WFP and the government, possibly through PPM, to deal with this issue.

Potential ways a food safety net could be put into effect include targeted food aid, food stamps, monetized food aid, strategic food reserve, and targeted assistance to the subsistence sector, each with advantages and disadvantages.

Food aid. Aid can be used as a tool in non-drought conditions to ensure the food security of the poor by providing them with basic foodstuffs on a low-cost, no-cost or "for work" basis.

This approach gets food to those who need it most. It also generates related benefits, e.g., food for work. On the other hand, food aid, unless appropriately targeted, can wreak havoc with markets by lowering prices, and may be difficult to target, since food is fungible and tradable. High expense may also be incurred in terms of purchase, transportation costs, and appropriate targeting. Food aid relies heavily on donors, which has both advantages and disadvantages. Finally, the disincentive effect of food aid on the local production has been widely documented. Even in this last drought, considered one of the worse of the century, concerns were raised about the effect food aid had on local corn production and prices.

Financial aid. Instead of importing food, the government can use resources to purchase food on the domestic market (assuming normal weather and production conditions) and redistribute it. Alternatively, one might also consider monetization of the program through targeted transfer payments, e.g., money for food, to increase the effective demand of the poor. This approach is less costly than food aid, as it avoids costs of purchase and transport, and minimizes grain market distortions, although it may actually cause retail grain prices to increase for other segments of the population. On the negative side, financial aid is difficult to target, as it can be even more fungible than food, and there is no guarantee that it would be used to purchase food. This approach can also be heavily reliant on donors for support.

Strategic grain reserves. The development and maintenance of food reserves can help the economically disadvantaged by allowing stocks to come into the marketplace in times of shortage and/or high prices to reduce the cost of food, or as a source of supplies for targeted food assistance (in lieu of food or financial aid from donors). The advantage of this approach is a quick response mechanism, assuming adequate stocks are on hand and distribution systems are in place. It can also be used to establish price floors as well as price ceilings and thus provide assistance to producers. One disadvantage of this approach is cost, which could be a drain on the public budget. It also lessens dependency on markets, particularly international markets, and increases public sector involvement in the food sector. If managed improperly, the grain reserve could interfere with market allocation mechanisms.

There are alternatives, including food purchases on international grain markets and relying on the international donor community to provide food in times of crisis.

Support to the subsistence sector. This approach would directly help the rural and urban poor to supply their own basic food needs via home gardens, access to public land near towns and villages for food production, and introduction of appropriate intensive farming technology targeted at the subsistence sector. Such an approach would have the advantage of putting a humanitarian face on the movement towards a market-based economy, thus appealing to PVOs and other non-governmental organizations. On the other hand, it can be management-intensive, and is unlikely to have large-scale impact. In general the track record of this approach is not encouraging.

Finally, the most effective way to provide food security is economic growth. Increased employment, greater diversification of food goods, more efficient food marketing, and productive farms (particularly smallholder) are the surest way to have general food security in the country. Even if all these elements were in place, however, there would still be a need for a small, targeted safety net.

How should the mission respond to the food safety net issue? There are two ways to deal with this option. The preferred approach is to use dialogue with government and other donors to assure that they support and put into place an effective food safety net program based on any of the alternatives discussed above. The second, less desirable approach, would be to get directly involved in support of a food safety net program.

Feasibility Criteria

Given the different approaches this option could take, it is difficult to judge feasibility except in general terms. The first approach noted above would be highly feasible with minimal demands on the mission. The comments that follow are based on the assumption that USAID would take a direct role in the form of a global food aid option.

Relationship to Subgoals

Subgoal 1 - Government able to facilitate and regulate economic activity. By helping to assure political stability though an effective food safety net, this option could be a crucial part of the transition process. Food security is one of the most important roles to be played by the government.

Subgoal 2 - Functional private sector in agriculture. This option has limited direct value to the private sector. Riots and other manifestations of political unrest resulting from food insecurity, on the other hand, could bring the private sector to a halt.

Subgoal 3 - Political stability through a food safety net. This option is obviously fully responsive to this sub-goal.

USAID Selection Criteria

USAID management constraints. As we have seen, this option has a number of possible configurations. No matter what form it takes, it is likely to involve an important management burden for USAID. It would require additional staff to directly deal with food aid issues, and details of making such a program succeed will require considerable attention. While some of these responsibilities can be shifted to contractors, others would require direct involvement by the mission.

Funding considerations. Food aid programs usually mean large transfers of resources from the donor country to the recipient. Some of the approaches noted above will be less expensive than others, but all carry a sizable financial commitment.

USAID comparative advantage. USAID has a strong comparative advantage in food security and food aid programs. Numerous organizations related to food security from IFPRI to USDA are based in the U.S., the PL-480 program is the leader in food aid activity, and the U.S. food stamp program is a model used worldwide. Organic and household farming also has a strong base in the U.S.

Complementarity to mission program. This is a hard one to answer. The mission has had a long-term involvement in food aid and food security activities in Zambia, but the question is, how much does the mission want to work in this area in the future?

Complementarity to other donor programs. There should be a strong complementarity of this option to other donors. USAID has played an important role in this

area and has worked closely with other food aid related donors such as WFP in the past. This should continue.

Opportunity cost. This option has a high overall opportunity cost, but may not be as high as expected for USAID. Much of the funding for these programs may come from PL-480 accounts which are additional to DFA funds. Thus, activity in this area may be used to expand the mission's funding envelope while not competing with non-food activities.

Relevance to End of Transition Status

Political stability and legitimization of the transition process are critical for the success of the transition to a competitive agricultural economy. Since this option deals directly with this issue, it has to be considered extremely important and relevant.

SECTION VIII

CONCLUSIONS AND RECOMMENDATIONS

SECTION VIII
CONCLUSIONS AND RECOMMENDATIONS

This assessment and strategy draws certain general conclusions about the agricultural sector in Zambia. After the multi-party elections in October 1991, the new government began a radical restructuring of the Zambian economy, directed at moving from a command-driven economy dominated by the state to a market-based economy relying on the private sector. This transition is now underway.

A comparison of the present situation to a fully operational competitive market indicates how far the country needs to go. Twenty-five years of state dominance of the economy has left both public and private sectors ill-prepared to act in a market economy. Given this lack of preparation and the desperate state of the economy after ten years of decline, rough times ahead are likely. However, since this transition is critical to the long-term economic well-being of the people of Zambia, it is important to the U.S. that it be as smooth and well managed as possible.

The biggest potential constraint looming over the transition is political instability, which could jeopardize the entire process. A number of other constraints also exist:

- Inappropriate individual and institutional behavior in both the public and private sectors, developed to respond to a command economy
- Lack of alternate viable market structures to replace the crumbling state- controlled system
- Absence of a market where land has value and can be used (for the smallholder and emergent farmer) as collateral
- Insufficient market information needed to facilitate market activity
- An unreliable system of contract law
- Private sector managers with inadequate market orientation

The analysis developed three general program areas for USAID consideration: marketplace development, transition management, and political stability through a food safety net. It presents specific options in these three program areas.

It is up to the mission to make final decisions on funding the options, using substantive information in the assessment to facilitate this task. Nevertheless, the assessment team would recommend the following priorities and actions.

Immediate attention should be given to three options—transition management, marketplace development, and initial study of the land tenure situation. Transition management has high priority for reasons already discussed. Changes are occurring in the sector at a very rapid rate, and the government, through the agricultural task force, is already making basic decisions. For the transition to succeed, it is important that such decisions have market-related bases. Over the next two to three years the transition process will either take hold and be the catalyst for sustained economic growth in the sector, or it will falter and die. It is critical that USAID, at this time, continue its direct and unbroken support of this process.

Marketplace development is considered a high priority primarily because the agricultural sector will need resources in addition to market incentives to take full advantage of the changing economic environment. As noted previously, the long history of state control of the agricultural sector has left it poorly prepared to benefit from market opportunities. The former state marketing structure has been dismantled, but will not be quickly replaced by the private sector. Thus the urgency for assistance in this area.

Development of a land market and reform of the land tenure system is a medium-term constraint but will require a long time to fully implement. In addition, government is committed to dealing with this issue as soon as possible. For these reasons, making studies and providing support to government on land tenure issues have an urgent priority.

In looking at a possible second phase operation in FY 95 and beyond, the mission should examine the actual on-the-ground activity in support of land market and tenure systems. This would take place after the initial study of the systems has been completed and necessary policy issues identified.

The option related to commercial law and contracts is extremely important to the agricultural sector, but it is logical to incorporate this activity into the mission's democracy and governance programs. It cuts across the entire economy and represents one of the most significant legislative and legal issues facing the country.

Likewise, the enterprise development option would probably be better handled in the context of the mission's privatization portfolio. This activity also spans the entire economy and would be directly supportive of privatization efforts.

A food security safety net is needed to help maintain political stability during the transition. It is basic to the success of the transition and to equitable sharing of sacrifices. While it does not necessarily have to directly implement a food security program, the mission, through policy dialogue, needs to ensure that an effective food security system is in place. The mission's role is to encourage government to maintain this food security safety net, possibly built on the success of the PPM. In addition, USAID should encourage other donors to take the lead in this area.

Reform of MAFF is the final option. It is essential for full implementation of the transition to a market-based agricultural economy, but is a medium- to long-term consideration.

The assessment has one final recommendation. With the rapidity of the changes now taking place in the sector, it is important that USAID remain closely attuned to viewpoints and developments in government and the private sector. The agricultural task force appears to be the most effective way of doing this. In all options, Zambian commitment, be it government or private, is the key to the success and sustainability of any action the mission will take.

ANNEX A

NARRATIVE ON MARKETPLACE MATRIX

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NARRATIVE ON MARKETPLACE MATRIX

This annex is a narrative on judgments made in the actual indicative marketplace matrix, Table V-1 (see page V-5). The status, priority, and timing of each attribute are subjective, so represent the collective wisdom of the experts in the field; they could be modified if necessary. The purpose here is to document, to the extent possible, the rationale behind each judgment. The list of attributes is also somewhat arbitrary. Some items could be added and others removed, but it encompasses a basic competitive market structure and, we think, well serves the purpose of this assessment and strategy.

As noted in Section V A, the attributes of a competitive open-market agricultural system used in the matrix are divided into four main categories: freedom of market entry, free access to resources, market information, and a functioning legal system.

FREEDOM OF MARKET ENTRY

Freedom of market entry refers to the precept that a fundamental feature of a competitive market system is the presence of many buyers and sellers, giving the market its competitive nature. Most private sector participants try to reduce this number so that they can reap monopoly profits. The economic benefit in terms of the efficiency of resource allocation is due, to a large extent, to the multiple transactions in the market of many buyers and sellers.

Nonrestrictive Licensing. Two sub-categories are in the matrix related to freedom of market entry—nonrestrictive licensing and anti-trust actions. Nonrestrictive licensing has two attributes: domestic transactions and cross-border trade. The present status of nonrestrictive entry into domestic distribution and sale of agricultural produce and inputs is poor (level 2). This judgment is not made on the basis of what the government wants (to open the market), but on present conditions. Parastatals and the remnants of the state- run cooperatives still handle the bulk of the distribution and sale of agricultural produce. The milling structure is not yet privatized, and it remains the major participant in the maize market. Marketplaces, transportation, credit, and contracting restrictions have limited the entry into the domestic market. The present situation of export and import trade is somewhat brighter (level three), due to the expanded role of commercial farmers into this area. As we see throughout this matrix, commercial farmers have access to the contacts, transportation, expertise, and funds to take advantage of liberalization. Both attributes are considered high priority and should be undertaken in the short term.

Anti-trust Action. The second sub-category concerns anti-trust action, with an attribute of no cartels, monopolies, or oligopolies in agricultural markets. This attribute is virtually non-existent (level 1). The present focus of the government is on breaking up the state monopoly by divesting itself of firms through privatization, a process being supported

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by USAID, but little thinking on how to control private sector monopolistic activity is taking place. Consequently, there is real danger that the state monopoly will soon be replaced by a private monopoly, which would jeopardize the entire liberalization process and block many of its benefits. This attribute has a high priority and will need to be dealt with in the medium term.

ACCESS TO RESOURCES

The second category is access to resources. It reflects the proposition that the competitiveness of a market is partly determined by freedom of access to resources to produce and market goods and services. It is broken down into six resources important to the agriculture sector—land, technology, production inputs, financial services, infrastructure, and education.

Access to Land Market. The land subcategory has two attributes, reflecting the complex land tenure structure in Zambia. The first deals with the necessity of having a viable land market in the country. At present, two basic land tenure systems exist in Zambia. One is basically a European model, primarily seen in the commercial farming sector, with long-term leases or ownership of the land by the occupant. The other system is the customary land system widespread in Africa. Under this system a local chieftain or elder distributes land within his jurisdiction to those, usually of his own ethnic group, who request it. In this system, the occupant has no direct title to the land and so it has no market value. Since land is one of the farmer's most important assets, inability to value and trade land is a significant barrier, particularly true for emergent farmers who are unable to use land as collateral. We rate the status of this attribute as poor (level 2), reflecting the acceptable situation of the commercial farmers but the total lack of land markets for the vast majority of others. This attribute has a mid-range priority and should be dealt with in the medium-term.

The second attribute in the land subcategory concerns nondiscriminatory access to land, a key issue for women and members of outside ethnic groups in the emergent and smallholder farming sector. Although the barriers to free access to land are of a traditional rather than a legal nature, they can nevertheless be formidable. Without easy access to land, the emergent farmers cannot expand their operations and improve their livelihood. In general, we rate the status of this attribute as very poor (level 1) reflecting the situation in the customary areas. Access to land in the commercial farming sector is relatively open, but requires financial resources outside the reach of all but a few Zambian farmers. This attribute is a medium priority and will take a long time to achieve.

Access to Available Technology. Technology is the second subcategory of resources in the matrix, and here represents the range of genetic material, equipment, and information generated by both local and international research and development operations. Technology can come from either the public or private sector. In modern agriculture it is the most important single resource a farmer has.

Three attributes fall under the technology subcategory, the first of which deals with access to all available technology. In general, commercial farmers can draw upon a wide

range of technology. Many have direct contacts with Zimbabwe and South Africa for genetic material and information; some have contacts beyond southern Africa. They appear to have few problems in bringing in new genetic material and equipment. For the emergent and smallholder farmers, however, the situation is quite different. Their primary sources of technology are local seed and equipment dealers and the national research and extension system, and relatively few take full advantage of what is available. The idea of opening up the market to worldwide suppliers of technology has received a cool reception from the government and farmer organizations. Moreover, until there is full assurance to guarantee intellectual property rights and genetic patents (see immediately below), few private international firms will bring new technologies and genetic material into the country. We rate the status of this attribute to be poor (level 2). For full expansion of the agricultural sector, this attribute has high priority and will need to be achieved in the medium term.

The second attribute, noted above, concerns assurance of intellectual property rights and genetic patents for private and public firms who develop new technology. While at first glance it may seem to be a relatively esoteric and minor issue to the agricultural development process, in fact it is a significant element toward allowing a full flow of world-wide technology into the country. Today, most of the research and development (R&D) of new technology is done under private funding or through joint public/private resources. Firms need to be able to recoup these costs though exclusive rights to sell plant materials, inputs, or equipment. Legal and administrative assurance that this newly developed technology will not be pirated is a basic requirement for a firm to bring that technology into a new geographic area. In Zambia it appears that such a basic legal structure exists, but no enforcement mechanism is in place. This attribute is rated as poor (level 2). Since sources of technology exist in the country, this attribute has medium priority and needs to be looked at as a long-term issue.

An effective public and private agricultural research system is the third attribute under the technology subcategory. The public research system in Zambia has been operating for a number of years with substantial donor support (including USAID). A general appraisal of the system is that the system works fairly well, especially in maize research; its major weakness has been in non-traditional crops and appropriate technology for the smallholder farmer. There is virtually no private sector research in the country, aside from some work for the National Farmers Union to support agricultural research, primarily for the commercial farmers. In general this attribute's status is rated as good (level 3). An effective research system is a medium priority, given the availability of improved varieties on the market. To fully develop both the public and the private research system is a long-term activity.

Access to Appropriate Production Inputs. Production inputs is the next resource subcategory, and includes both locally manufactured and imported goods. The subcategory is divided into three attributes related to the principal production inputs used in Zambian agriculture—seeds, fertilizer, and agricultural machinery.

The availability of appropriate seeds is a characteristic of a well-functioning agricultural market and consequently has a high priority. Seeds are the principal source of

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new technology for most farmers. Fortunately, seed availability seems to be very good (level 4). Most seed is available through state controlled distributors, but moves are afoot to open the market to more private dealers and traders. Commercial farmers are, again, better positioned to access alternative seed resources. It is expected that as the market is liberalized, more dynamic private sector competition will occur. This activity should take place in the short-term.

Like seeds, the availability of fertilizer is a high priority, and again, the distribution system seems to work quite well. It is undergoing major changes, however, as subsidies are lifted and the market is further opened to private dealers. With the loss of transportation subsidies, fertilizer will be less available in remote areas. At the present time, however, the status of this attribute is very good (level 4). This should also be a short-term activity.

The availability of agricultural equipment is not as broad as for seeds and fertilizer; emergent and smallholder farmers have very limited access to appropriate agricultural machinery. Commercial farmers, on the other hand, generally have good access to the farm equipment they need. The overall rating of this attribute is poor (level 2). Availability of agricultural machinery is a mid-range priority that will be handled with in the medium-term.

Access to Financial Services. While they may not be viewed as a typical resource, financial services represent the principal source of capital for ventures in a competitive marketplace. A viable financial market that allows ready access to capital and the ability to manipulate capital and associated risk is an essential element of the marketplace. This subcategory has six attributes representing some of the varied facets of financial markets.

Effective rural savings mobilization is the first attribute in this subcategory. The astonishing amount of capital held in the rural countryside has often been documented. In fact, even among the so-called urban poor, proper institutional and financial incentives have been able to mobilize considerable savings. An effective savings mobilization program is one of the best ways to collect the badly needed capital for investments in the agricultural sector. Unfortunately, up to now, there is little evidence that Zambia has an effective scheme in either the urban or rural areas. With inflation often reaching 400 percent and a sharp devaluation of the kwacha, it would be difficult to establish any savings mobilization program. The present status of this attribute is very poor (level 1). This attribute has a medium priority. Until the inflation rate is brought under control, it is unlikely that any savings mobilization program can be put into place. Thus, this attribute has to be considered a long-term proposition.

The next attribute is the availability of multiple sources of farm credit, including access to commercial credit, informal credit from money lenders and relatives, and credit from dealers and traders for inputs and advances on crops. With the current liquidity crunch in the country caused by government's tight monetary policies, credit is very limited. More importantly, because the state has traditionally been the major source of credit for much of the agricultural sector, only limited expansion of other credit systems has taken place. As we have seen repeatedly, commercial farmers with collateral and access to other resources are better able to weather the credit crisis, while the emergent and smallholder farmers are in

a much more precarious situation. The present status of this attribute is poor (level 2). Since capital is so important for productive investments, this attribute has to be given a high priority. Nevertheless, given the present monetary difficulty of the country, it is unlikely that it will be achieved in less than the medium-term.

As farming becomes more commercialized and farmers are brought into a competitive market, an increasing need will arise for the easy ability to transfer funds within the agricultural economy. This is our next attribute. To achieve it requires an efficient financial system, including clearing banks, checking accounts, and other modern money transfer systems. The larger commercial banks in Zambia with international affiliates are equipped for such transactions, so commercial farmers working with them are able to transfer funds fairly easily. Given the liberalization of the foreign exchange market, the ability to transfer resources has become even more accessible through international commercial banks. The problem is that only a small minority of farmers and businessmen in the agricultural sector have access to them, so its present status is rated as poor (level 2). This is a mid-range priority that should be in place in the medium-term.

Three other attributes listed in the marketplace matrix under access to financial services are not presently of high priority. Nevertheless, they could play a critical role in supporting the agriculture sector as it begins to move into a competitive market structure. These attributes, all related to reducing risk, are crop insurance, ability to use stock as collateral, and ability to use future contracts.

Today, crop insurance could be considered a low priority, long-term consideration, and is so classified in the matrix. At the same time, it could be argued that crop insurance is required to guarantee the viability of the whole agricultural financial system. Without it, government and farm lobbyists are often tempted to resort to wide-scale debt forgiveness at any reported crop damage. This undermines the credit system by creating huge debts for the banking system and making farmers believe that through political pressure they can avoid repaying loans. The problem is that crop insurance requires a fairly sophisticated mechanism to be put into place and efficiently managed, still lacking in the insurance and banking sectors of Zambia. The present status of this attribute is rated as very poor (level 1).

The ability to use stock as collateral can be a vitally important mechanism to provide investment and liquidity. In the agricultural sector, stocks play a particularly important role. They could be input supplies such as fertilizer or seeds, or farm produce such as grain or livestock. To have this attribute in place requires considerable interaction among the financial system, farmers, and agribusiness. Supplemental institutions are also often required such as bonded warehouses, auction systems to dispose of defaulted goods, and a legal structure allowing for quick dispute resolution. These institutions are not now in place in Zambia, and the present status of this attribute is very poor (level 1). Urgency for the ability to use stock as collateral will increase as the agricultural marketplace becomes stronger. For this reason, this attribute is given a medium priority and a medium time frame.

The last attribute in this subcategory is the ability to use future contracts. "Futures" are an essential part of modern capitalistic agriculture, allowing farmers and agribusiness to

reduce risk by assuring future prices. To be effective, the necessary legal structure on contracts has to be in place, and Zambia still has progress to make in this area. The present status of future contracts is very poor (level 1). Given the number of other attributes needed to move the agricultural sector into a competitive marketplace, the priority of this attribute is low and will be put into place in the long-term.

Agricultural Infrastructure. The next general resource subcategory is agricultural infrastructure, covering all supportive physical elements in a modern, efficient and dynamic agricultural marketplace. Specifically, this includes roads, and storage, transportation, processing and market facilities. Each of these represent a separate attribute under this subcategory.

A good network of farm-to-market roads is essential for an efficient agricultural marketplace to function, doubly true in a country as vast and thinly populated as Zambia. This attribute has a high priority. As seen earlier, commercial farmers in the central belt of the country generally have access to an adequate road network. For outlying farmers, particularly smallholders, it's a very different picture. The present status of this attribute is poor (level 2). This is a medium-term activity on which several donors are already working.

Storage facilities, especially for corn and mealy meal, are relatively well established (level 3). Most of the storage, however, is in the public sector or at state-owned milling facilities, and over time, many of them may be shifted to the private sector. Very limited on-farm storage exists for smallholders, but commercial farmers often have adequate on-farm capabilities. This attribute is of medium priority with a medium-term time frame.

Transportation is generally adequate for long hauls on main roads but only barely so on the rail system. Poor maintenance of rail lines and rolling stock is a big problem. Another weakness is smaller scale short-haul transportation infrastructure. The overall present status of this attribute is judged to be good (level 3). This is a medium priority attribute to be achieved in the medium-term.

Most of the processing facilities are in government hands—the maize milling operations—with only limited outside processing. With the changes in the sector, it is expected that more private processing will occur. The most pressing need is small-scale and local processing facilities. The present status of this attribute is poor (level 2), and is a medium priority to be in place over the long-term.

The market facilities component has both one of the highest priorities and the lowest status of implementation (level 1) of all the attributes in this matrix. Even Lusaka doesn't have a decent marketplace. The government has long dominated this activity to the general detriment of the economy. Basic areas for collection of agricultural goods in villages and other strategic locations are simply not available, and this has hampered the movement toward local, regional, and national agricultural markets. As a medium-term proposition, efforts need to begin quickly to establish proper market facilities.

Education and training. This subcategory concerns the whole issue of access to resources to build human capital. There are three attributes listed in the matrix for this subcategory—extension, distant learning, and rural primary education.

An effective public and private extension system is usually one of the first things looked at in examining the development capacity of an agricultural sector. Zambia has a large but not particularly effective public extension system plagued by lack of funds and support. On the private sector side, there is very little activity. In general, the present status of this attribute has to be judged as very poor (level 1). How important this attribute is to the development process is debatable, since in many cases, alternate sources of information are more likely to have quick returns than the traditional public sector extension system. We judge the priority as being medium range. Because of the institutional and financial problems to be dealt with, extension has to be considered a long-term effort.

Distant learning is the new terminology for teaching through correspondence, radio, and television. Excellent results, mostly in South America, have been achieved using distant learning methods to increase human capital in the farming and rural sector. Zambia has a high literacy rate (75 percent) and fairly good infrastructure, which makes it a good candidate for this type of programming. On the other hand, other issues need more urgent attention than the establishment of a distant learning system, so this attribute's priority has to be rated as low. Since little is in place at the moment, the present status is very poor (level 1), and it will take a long time to implement this activity.

Appropriate rural level primary and literacy education and training is a medium priority that has a present status of good (level 3). Some 95 percent of primary school age children are enrolled in school. While this figure is high, it does not reflect the large number of dropouts or the falling standards of education at the schools. Lack of funds have impeded progress to fully support rural education programs.

MARKET INFORMATION

A competitive market can operate only where a free flow of market information exists to allow buyers and sellers to determine prices and make production and consumption decisions. This category in the matrix has two subcategories—grades and standards and market information.

Grades and Standards. The establishment, enforcement, and use of grades and standards is one of the most important ways to facilitate a free market structure. These three components represent the three attributes of this sub-category.

Establishment of grades and standards for agricultural products and inputs is an important role for the public sector. This attribute has a mid- range priority. Its present status is poor (level 2). Except for maize meal, there are virtually no grades and standards used in Zambia. Some specialized crops such as tobacco have international standards, but they are applied only for export. Grades and standards can be established in the medium-term.

Enforcement of grades and standards is always a problem, whether done by the public or the private sector. Like the establishment of grades and standards themselves, this attribute has a medium priority over a medium time frame. For the domestic market, there is little activity in this area so the present status is very poor (level 1).

The mere establishment and enforcement of grades and standards does not automatically ensure that their benefits will accrue to the marketplace; their widespread use is necessary. When consumers, in particular, begin demanding grades and standards on agricultural products, suppliers will begin to provide them. The present status of this happening is very low (level 1). This attribute is of medium priority and of medium-term timing.

Market Information. Market information is the second subcategory under this resource, dealing with the whole system to collect, analyze, and disseminate market information. This information includes data on prices, supplies, market conditions, weather, and other information necessary for producers and consumers to make informed market decisions. The three attributes under this sub-category are collection, dissemination, and two popular media networks for providing information—radio and newspapers.

Before data can be used, it has to be collected. This attribute deals with the broad-based collection of information on agricultural products by commodity and region. For a competitive market to work, this is a very high priority. Given the emphasis on getting markets going, it should be established as soon as possible. Some market information is being collected by the government, but the system is very weak. The present status of this attribute is poor (level 2).

Once information is collected, it has to be analyzed, packaged, and disseminated in a timely manner. For this to have a beneficial effect on the market this information has to be widely available and used. This attribute also has a high priority and is needed as soon as possible. Unfortunately, its present status is almost non-existent (level 1). Even for a qualified researcher, it is difficult to find usable and accurate market information; for the average businessman, farmer, or agricultural supplier, the situation is impossible.

For the agricultural population, rural radio and newspapers are among the best ways to find and distribute information. Establishment of good networks is of medium priority. It could be a long time before a complete network is in place. Today, a basic radio system in rural areas exists, but it is not very effective. Newspapers are difficult to obtain in outlying areas. The present status of this attribute is poor (level 2).

FUNCTIONING LEGAL SYSTEM

The final category in the matrix deals with contract and business law. While not within the traditional realm of economics, this category has the highest practical applicability to the establishment and efficient functioning of a competitive market. Markets are based on transactions between buyers and sellers, each of which represents a contract. While a contract does not have to be in writing, it does have to be mutually understood and agreed

upon, and its terms and conditions must be fulfilled before the market transaction can be considered completed. The market works best when there is confidence in this process, its enforceability, and the ease and speed with which conflicts can be resolved. These elements represent the three attributes in this category.

The first requirement for a functioning legal structure for the market is framing of appropriate contract laws for agricultural transactions, requiring basic statutes to be passed by parliament, and necessary interpretations established within the legal community. Without these basic legal structures, the market is severely handicapped. This requirement is of an extremely high priority and needs to be put into place quickly. Some acts have been recently passed by parliament but the accompanying regulatory structure to support them is very thin. The status of this attribute is very poor (level 1).

Once the legal framework is established, it has to be enforced, which requires participants to have a general understanding of the laws. In addition, some form of policing the marketplace either by the public or the private sector is needed to assure basic compliance with the legal structure. This is also a high priority and an urgent matter for the market. The present status of this attribute is very poor (level 1).

Finally, one of the most important features of an effective legal system in support of the market is the means to resolve disputes quickly and fairly. Conflicts arising from dishonesty or misunderstanding are common in business transactions, and for the market and legal system to function these disputes must be resolved quickly to everyone's satisfaction. Such a mechanism can involve everything from a small claims court to a system of binding mediation. Zambia has a long history of disputes, strikes, and other breakdowns in the transaction process. An effective market does not work when laws and disputes are settled in the streets; nor does it work when the judicial system takes years to resolve even simple matters. This attribute is also of very high priority and urgency. At the moment, unfortunately, the present status of this attribute is very poor (level 1).

ANNEX B

SCOPE OF WORK

INTRODUCTION

USAID/Lusaka is preparing a new five year strategy for the delivery of United States Government bilateral economic assistance to the Republic of Zambia. A thorough analysis of Zambia's development prospects and problems, both macroeconomic and sector-specific, is being conducted to guide overall strategy development.

A number of sectoral analyses have already been performed: Primary and informal education, health, population, and AIDS; privatization; democracy/governance; micro-enterprise; minerals, and natural resources management. A broad based assessment of constraints to private sector growth and development is presently underway.

BACKGROUND

USAID's primary interventions in the agriculture sector, i.e. two major projects and a policy related non-project, are all due to expire in 1993. USAID is making no present assumptions about continuing assistance in the same mode for the planning period. The subject area is open for study and recommendation. Nevertheless, some focus to the assessment is provided by virtue of the following: USAID has already tentatively identified the broad program objectives and targets within which the agricultural strategy is to be developed; the sectoral analyses which will have already been conducted by USAID will be relevant particularly those of constraints to private sector growth and development, micro-enterprise, and natural resources management; a long history of USAID/Lusaka involvement in agricultural sector development, and the in-country presence of two USAID-funded institutional contract teams working on maize market liberalization and agribusiness development means much prior analytical work and informed contracts will be readily available to the assessment team; up-to-date analytical work by the World Bank is available and accessible to the team which will provide a lot of descriptive resource material which the team need not duplicate; and importantly, the GRZ Ministry of Agriculture Planning Division is presently finalizing drafts of its own "Framework for Agricultural Policies to the Year 2000 and Beyond". Moreover, USAID is presently conducting a series of preliminary brainstorming sessions with the in-country Robert Nathan and RONCO Contractor teams to further identify the priority technical subjects and strategy options which the assessment team will be instructed to investigate and assess.

PROGRAM CONTEXT

The assessment is to be performed and the strategy developed in accordance with and cognizant of USAID'S provisional overall program strategic objective of assistance in parastatal divestiture and greater movement in private sector initiatives. USAID initiatives in the agricultural sector will be expected

ARTICLE I - TITLE

Project Development and Support [611-0218.00].

ARTICLE II - OBJECTIVE

The objective of this delivery order is to evaluate the Zambian Agricultural Sector and prepare a USAID strategy and implementation plan for future AID projects.

ARTICLE III - STATEMENT OF WORK

In order to accomplish the objective stated above, the Contractor shall provide a 3 member team, experienced in private sector-led agricultural development planning to perform the following tasks:

1. Evaluate the GRZ's policy and strategy for agricultural development.

2. Analyze the following and formulate a USAID agricultural strategy for future program and project implementation.

    a. Production, marketing and agri-business constraints impinging upon the growth of the sector, to include policy, institutional and technical considerations.

    b. The role of the government and the private sector in agriculture, and their capabilities to effectively carry out their respective roles.

    c. The impact of macroeconomic policies and reforms under the Policy Framework Paper on the agricultural sector.

    d. Current and planned bilateral and multi-lateral donor assistance.

The following are recommended reference materials to be reviewed by the Contractor's team:

1. AID Documents:

    a. Zambia - Policy Framework Paper. 1992
    b. Zambia - Recent Economic Developments

2. World Bank Reports

    a. "Zambia: Agricultural Sector Strategy Issues and Options", January 20, 1992
    b. Memoranda
    c. Staff appraisal reports

3. Government of the Republic of Zambia:

   a. "Framework for Agricultural Policies to the Year 2000 and Beyond" (not yet publicly released)
   b. Economic Report 1991

4. USAID Documents:

   a. Maize Market Decontrol PAAD and amendment, March 1992
   b. Sectoral Assessment and Strategy Documents
   c. ZATPID (611-0207) and ZAMS (611-0214) project studies and documents

3. Develop the rationale for a private sector-led agricultural development strategy for Zambia.

4. Develop an agricultural sector strategy for USAID which will achieve sectoral and economy-wide targets and people level impacts of increased employment, incomes and food security.

5. Develop a program implementation schedule given available USAID financial and management staff resources and prioritize options for future project and program implementation.

ARTICLE IV - REPORTS

A. The Contractor shall submit 5 copies of a draft report for Mission review no later than January 23, 1993.

B. Upon receipt of the Mission's comments, the Contractor shall revise the report, if indicated, and submit 15 copies of the final report to the mission no later than February 23, 1993.

ARTICLE V - RELATIONSHIPS AND RESPONSIBILITIES

The contractor shall work under the technical directions of John Wiebler, Program Officer, USAID/Lusaka.

ARTICLE VI - TERM OF PERFORMANCE

A. The effective date of this delivery order is December 1, 1992. The estimated completion date is February 23, 1993.

B. Subject to the ceiling price established in this delivery order and with prior written approval of the project officer (block 5 on cover page) the contractor is authorized to extend the estimated completion date, provided that such extension does not cause the elapsed

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ANNEX C

BIBLIOGRAPHY

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ANNEX D

LIST OF PEOPLE CONTACTED

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Scott, Guy	Minister of Agriculture, Food and Fisheries, GRZ
Winch, Fred	Mission Director, USAID/Zambia
Aho, Andrew	Project Development, Riverside Development Agency
Babbar. Dev	Managing Director, Breakfast Foods Zambia Ltd.
Billing, James	Manpower Specialist, Cabinet Office, GRZ
Brentnall, Nicholas	Managing Director, Barclays Bank of Zambia
Chenoweth, Florance	Chief of Party, ZATPID II
Gordon, Edgar	Macroeconomist (consultant), USAID/Zambia
Guillon, Bernard	Rural Development Counsellor, EEC
Hudson, John	Executive Director, Zambia National Farmers' Union
Kinley, Lana	Advisor/Manager, Zambian Privatization Agency
Litchour, John	ZATPID II
Madondo, Charles	Chairman, Truckers Association of Zambia
Mahen, Val	General Development Officer, USAID/Zambia
Marette, Issac	Acting Resident Representative, IBRD
Martella, David	Agricultural Economist, REDSO/ESA
Mckensie, James	ZATPID II
McNie, Michaael	Executive Director, Barclays Bank of Zambia
Patil, A.A.	Secretary, Zambia Truckers Association
Scheres, Leroy	ZAMS Project
Shartup, Harvey	Chief of Party, ZAMS Project
Tembo, Joseph	ZAMS Project
Tikkanen, Kalevi	Senior Program Officer—Agriculture, SIDA
Verma, B.N.	Team Leader, Sorghum, Millet Improvement Program, SIDA
Whelan, Willliam	Agricultural Economist, USAID/Zambia
Wiebler, John	Program Officer, USAID/Zambia
Wilkinson, Betty	PSC Contractor, VITA