

**FEASIBILITY STUDY OF NORAD ASSISTANCE IN THE
AGRICULTURAL MARKETING SECTOR IN THE NORTHERN
PROVINCE, ZAMBIA**

**A Report Prepared for
The Provincial Planning Unit, Northern Province, Kasama**

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EXECUTIVE SUMMARY

(1) Objectives of the Study

- (i) To outline **what** support could be channelled to assist agricultural marketing in Northern Province,
- (ii) To establish and outline **how** this support can be channeled,
- (iii) To consider and make **recommendations** as to NORAD's continued involvement in marketing-related activities in the Northern province in the coming 4 years.

(2) General Policies and Legal Framework

The new government is committed to the liberalization of the economy including the agricultural sector. In the area of agricultural marketing, the new government's policy includes freeing up of all producer and input prices, removal of all subsidies; institutional reforms such as the restructuring of the cooperative movement; and facilitating private sector involvement in agricultural marketing. Government would like to see stronger cooperatives emerge at the district and primary society levels. These cooperatives should be member-driven and must be commercially viable.

Liberalization of the agricultural sector may be delayed in the short-run in view of the devastating effects of the drought this year. Given its relatively good rainfall, Northern Province promises to play an increasingly important role in terms of meeting food requirements both for the domestic and surrounding export market.

The two legislation that have been of relevance to agricultural marketing are:

- the Agricultural Marketing Act of 1989
- the Cooperatives Societies Act of 1970

These two pieces of legislation are up for revision in order to be in line with the liberalization policies of the government.

(3) The Role of small-scale farmers, the Private Sector and Women

Roughly 90 percent of the population in Northern Province live in the rural areas. The majority of these are subsistence producers who grow less than 10 hectares of crops. Crops grown in the province are maize, beans, groundnuts, finger millet, rice, soyabeans and cassava. Although farmers have little participated in marketing activities in the past,

they are expected to play a more prominent role in the new policy environment.. In this respect grassroots participation through farmer groups, including cooperatives, pre-cooperatives and other groups are one channel for instituting development efforts in order to improve living standards for farmers. This is against the past history of mostly top-down approaches to development, for instance, cooperative development.

The majority of women in Northern Province are subsistence producers who contribute significantly to both food and cash crop production. Yet their benefits from this have been few. Heavy labour burdens are a constraint to improved productivity. Lower education and high illiteracy rates compound their lack of business management skills and hence their lack of self confidence. Lack of credit prevents implementation by women of viable projects. By-laws of some grassroots organizations e.g. primary cooperative societies, may even indirectly preclude sections of women from participating . Suggested activities in the pilot project aim at alleviating some of these problems namely, the mode of participation, alleviation of the labour bottleneck, credit provision for viable projects and skills training.

Private enterprise has for long been present in the Northern Province and has strictly been restricted to economic ventures. There has been little private involvement in the areas where government retained control e.g. maize and fertilizer marketing because of lack of incentives. The liberalization of the economy will expand opportunities for private participation. In this respect, the prime role of government will be as facilitator. The extent to which private enterprise flourishes will depend on government's commitment to creating a conducive policy and infrastructural environment.

(4) Cooperatives as a Means of Facilitating Marketing

The very concept of marketing is a complex one involving activities such as procurement, transport, storage, extension, training and credit. Given this wide perception of marketing, one has to apply a multi-pronged strategy to achieve desired results.

NORAD has in the past rendered support to cooperatives with a view to improving marketing performance. These efforts, however, proved to be a meagre success, the main reason being that cooperatives merely served as an instrument for implementation of government policies.

In the new era of free enterprise, the cooperatives suddenly find themselves in a totally new environment where they have to compete on equal terms with private ventures. This may in itself create an incentive to form a genuine cooperative movement based on self-help

and self-reliance. In some instances, this type of organizations may offer the only opportunity for smallholders to conduct marketing activities.

At present, however, the primary level of the cooperative movement is very weak. In order to survive the infant years of existence, some initial help must be provided. The team suggests that external assistance should be directed towards a few, carefully selected groups with a view to making these into model cooperatives. At a later stage these bodies are intended to demonstrate the viability and inherent qualities of self-help business organizations.

Apart from support to the cooperative movement, the team also advocates direct assistance to the private sector. Private enterprises will, however, also benefit indirectly from the support given to cooperatives.

(5) Recommendations

(1) NORAD should continue its support to develop market-related activities in Northern Province in the coming 4 years. The present government policies have created a conducive environment that is likely to facilitate this process.

(2) In order to facilitate the development of agricultural marketing in Northern Province, support should be provided in a multi-pronged approach in the following areas:

- road construction and maintenance
- expanded depot/storage shed construction
- training and education
- agricultural extension services
- provision of credit and savings facilities
- expanded use of oxen for crop and input haulage
- provision of consultancy services.

Support should be tailor-made to suit specific requirements of each group or individual.

(3) A pilot project based on an "integrated " approach should be launched in two districts of Northern Province (Mbala and Kaputa or Mporokoso). A baseline study, to be carried out this year, should precede the launching of the project.

(4) NORAD should continue its support in the infrastructure area i.e. labour-based feeder roads, and shed construction. Lack of well maintained feeder roads and inadequate storage are currently serious obstacles in the efficient operation of marketing.

(5) NORAD should continue its support in the areas of adaptive research and extension area which are vital links between the producer and the market.

(6) Support should also continue to be rendered to the private sector in the areas of training and advisory services. Particular attention should be given to women groups that present viable business propositions.

(7) NORAD should consider assistance in the area of agricultural market information system which would greatly assist farmers and other target groups in their business planning.

1.0 GENERAL POLICY AND LEGAL FRAMEWORK REGARDING AGRICULTURAL MARKETING

1.1 Policy Considerations

The agricultural sector is expected to play a major role in the country's economic restructuring programme. As such, the implementation of policy and institutional reforms together with adequate public and private investment in key services is of paramount importance in the restructuring exercise.

The new government's policy is to move towards full liberalization of marketing including price decontrol; and privatization of parastatals including agro-based ones. This is aimed at reducing the burden of loss making parastatals and improving services to farmers.

In the area of agricultural marketing, the new government's policy aims at improving the timeliness, and planning of input delivery, crop financing and payment to farmers. Institutional reforms in the agricultural sector include the restructuring of the cooperative movement and facilitating private involvement in agricultural marketing. With regard to the cooperative movement, government would like to see stronger District Cooperatives Unions and primary societies which are under the control of members and not management. As for Provincial Cooperative Unions and ZCF, government is of the view that these be free to make their own adjustments and will not receive any government support. It is government's intention to have viable cooperatives that are commercially oriented. In a liberalized agricultural sector, strong DCUs and primary societies can compete well or complement the private sector. Those that are weak and unable to adjust may be eliminated through natural process.

Government would like to see increased private sector participation in crop marketing and input distribution. Government has since March 1992 decontrolled prices of fertilizers and has eliminated all fertilizer subsidies. Fertilizer prices now reflect the cost of transporting it to various parts of the country. Government would like to see private traders including farmers import their own fertilizer requirements. This is especially desirable given the 100 percent foreign exchange retention scheme.

The new government's policy on agricultural credit aims at streamlining the credit system through reduction in costs and improvement of recoveries. In order to facilitate an efficient marketing system, the government will embark on improving rural infrastructure such as roads and storage facilities.

Government is also committed to freeing up prices of all produce including that of maize. Maize producer prices are expected to vary regionally and seasonally. However, it is the intention of government to set a minimum/floor producer price. This floor price will be payable to centralized locations only, beyond which farmers will pay for transportation. Regionally and seasonally differentiated producer prices will encourage maize marketing throughout the year. This should encourage commercial farmers to store on farm. This may not be possible for small-scale farmers in the short-run. However, DCUs and primary cooperative societies could take advantage of the seasonality of prices by fully utilizing their storage facilities and marketing maize throughout the year.

In assessing the new government's policies on agricultural marketing, one must take into account short-term and long-term considerations. This is especially so this year in view of the fact that the country is facing a severe drought. Given this fact, moves towards complete liberalization may be slowed down as resources are relocated to alleviating the effects of drought. This year, government is appointing agents who will be given advance money to purchase maize. These buying agents will be given commissions to trade and the cost of transportation will be reimbursed by government. In the long-run, maize buyers may have to work out their own arrangements with financial institutions for crop purchase. In view of the small crop this year (about 3 million bags maize marketed) government will appoint few buying agents in each province.

Government is willing to lease out storage space for keeping stocks not required for immediate consumption. Storage space can also be leased out to those involved in fertilizer and seed marketing. Terms of lease are being worked out and will be announced soon.

Government agricultural policy with regard to Northern Province has undergone considerable changes over the years. Uniform producer pricing policy and subsidies have encouraged increased maize production. This has been very expensive to transport by road to consumption areas. The door-to-door crop purchasing system for maize has proved very expensive to the buying agents. It is the government's wish that maize production should occur in the most economical areas on the basis of comparative advantage. Initially, Northern Province was not considered suitable for maize production due to high transportation costs. It was felt that the Province should just produce enough for its own requirements and embark on diversification away from maize into other crops more (agro-ecologically) suitable to the province. These include sorghum, millet, beans, cassava and tree crops like coffee and

tea. However, the drought effect will condition government policy as regards maize production in Northern Province.

The government is this year, importing in excess of one million metric tonnes of grain, mostly maize from North America and Argentina. The cost of shipping this maize to Zambia is colossal. Government realizes that it would be a lot cheaper to transport maize from Northern Province than to import it from the U.S.A. or South America.

A major characteristic of maize marketing in Zambia is that it has largely been transported by road with minimal use of rail transport. It is the new government's intention to encourage rail transportation for maize which is obviously cheaper than road transportation. In the case of Northern Province, within reasonable distance of TAZARA, it is definitely cheaper to use rail. The Southern part of Northern Province could produce and transport maize to the Copperbelt and Lusaka. With excess milling capacity in the Province there are also possibilities to export mealie meal to the major markets of Lusaka and the Copperbelt.

It is now government's view that Northern Province has a role to play in terms of maize production both for the domestic and export market. The Province is well positioned to export surplus maize and other crops to the surrounding export markets. Currently, unofficial export of products such as fish and beans goes on from the Province. The Province has also been viewed as offering the possibility of holding strategic food reserves for countries in the sub region.

1.2 Legal Framework

The most relevant legislations applying to agricultural marketing in the country are:-

The Agricultural Marketing Act of 1989

The Cooperative Societies Act of 1970

In addition to these two legislations, each individual primary cooperative society has by-laws drawn up to specifically address the needs of members at this grass roots level.

The Agricultural Marketing Act of 1989 resulted in the dissolution of NAMBOARD (a government-owned organization) and the transfer of functions and government-owned assets and liabilities to ZCF (legally owned by private individuals through their membership in DCUs and primary societies) and Nitrogen Chemicals of Zambia (NCZ). ZCF, the apex organization of the cooperative movement was handed the

responsibility of trading in maize, while NCZ, previously a fertilizer producer became responsible for the importation and inter-provincial trade of fertilizers. No clear policy guidelines were drawn up in the transfer of assets and liabilities from NAMBOARD to ZCF. This has raised a lot of accountability questions.

The Cooperative Societies Act provides for the establishment of cooperatives as independent private organizations to do business on behalf of its members for their benefit. The Act provides for the development of the cooperative movement as mass organizations on a self-help basis. The last government even went further by having the cooperatives affiliated to the then ruling Party, UNIP.

With the new government's liberalization policies it has become imperative that the above legislation be changed or amended to be in line with the new policies. Hence, amendments and revisions of these legislations is already underway. ZCF, the apex cooperative body is in agreement with the early amendment of the Agricultural Marketing Act of 1989 in order to remove its responsibilities to undertake government's functions. It is also of the view that the Cooperative Societies Act of 1970 should be amended to remove provisions that give authority to government to interfere in the operations of the cooperative organizations. Government is also in the process of amending other agricultural-related legislation such as the Credit Legislation and the Land Tenure legislation so that they too are in line with the overall liberalization process.

2.0 LITERATURE REVIEW - SUMMARIES AND CONCLUSIONS OF RELATED STUDIES

(i) Kolshus, H.J. et al. 1991: Marketing of Agricultural Produce and Inputs in Northern Province, Zambia.

The above study had three objectives that are similar to those of this study, namely:

- a) To establish whether observed marketing problems are related to institutional deficiencies, unnecessary regulations or other factors.
- b) To establish the need for foreign support.
- c) To suggest how support is to be given and through which channels.

The study notes that marketing of agricultural produce and inputs in Zambia has been characterized by state intervention aiming at providing cheap food for the urban population. Intervention was further justified as a catalytic tool for the development of marginal areas of the country. In this regard various legislations provided for the monopolistic trading of both inputs and produce by various marketing agencies. The report recognizes that marketing problems are partly caused by institutional deficiencies but are mainly due to the dual policies of cheap food for the urban areas and promotion of even development including, production and marketing opportunities in all parts of the country without regard to cost. These two policies resulted in low consumer prices for maize meal, the staple food, and effectively taxed the agricultural sector for the benefit of the urban population. The report notes that liberalization of agricultural marketing as announced in September 1990 is an attempt to address the issue of reduction in cost. The report points out that the policy towards a more competitive market should be encouraged.

The report draws the following recommendations for NORAD:

- a) Acceleration of improvement in rural infrastructure in Northern Province which will give more benefits to the poorest segment of the population. Improvement in rural infrastructure includes an improved road network especially rural feeder roads built using a labour intensive approach; expanded coverage with storage depots; and intensification of the supply of oxen for haulage to and from storage sheds and market places.
- b) Provision of start-up capital to the private marketing sector for essential and sustainable activities to strategically selected targets.

c) Support to the cooperative movement should include the completion of, updating and auditing of NCU accounts; and NCU provision of two services DCU's and primary cooperative societies namely:-

- training and development for members and staff and
- accounting and auditing of the above two levels of the cooperative movement.

The report concludes that support to the materially weaker groups at primary society level and below will enhance these groups' ability to cope with the dramatic changes currently obtaining in Zambia as a result of deregulation and trade liberalization.

(ii) Agricultural Credit Study Team. 1991: An Evaluation of the Agricultural Credit System in Zambia. Lusaka, Zambia.

The study begins by noting that the agricultural credit system for small scale farmers in Zambia is in a state of financial disarray which threatens to severely curtail the production of maize, the principal food crop. The agricultural credit system and the input supply system for small scale farmers are inextricably linked to the credit system for maize marketing. The study notes that Zambia's agricultural credit system comprises two distinctly different components, the first of which is operated by the commercial banks (mostly privately owned) which lends money to primarily the large-scale commercial farmers. The other component comprises the government owned Lima Bank and cooperative members owned ZCF/FS and CUSA (Zambia) Ltd. These three publicly-supported small-scale farmer credit system provide in most part inputs rather than money. Other sources for crop planting include farmers' own resources, informal credit, special support programs for other crops (e.g. Lintco for cotton), and to a very limited extent, specialized lending programs such as IFAD and Global 2000.

The major observation of this study is that the small-scale farmer credit system is not commercially viable since the cost of making loans are greater than income produced by the loans. Added to the institutional costs are the costs of loan losses resulting from the risks inherent in agricultural lending such as drought or poor producer prices. Inflation too is a considerable lending cost in Zambia as the inflation rate now substantially exceeds the interest rate charged on loans.

The report makes recommendations on macro economic policy matters with a view to:

- bringing the credit market in equilibrium i.e supply of funds

equal to amount demanded

- allowing the three publicly supported lending agencies to operate in a fashion consistent with market interest rates:

a) Interest Rate Policy

Subject to the control of inflation, there be a removal of all interest rate controls. The Bank of Zambia would continue to set the bank rate but this would be done so that the credit market remains in equilibrium. The report cautions that this recommendation should be implemented when the maize market is fully liberalized so that farmers do not face higher interest rates and a constrained maize market.

b) Monetary Policy:

Reserve requirements for Lima Bank, CUSA and ZCF Finance Services get set in such a way that they would be nil when deposits provide less than 20% of the lending resources but be gradually increased to commercial bank levels as deposits account for a larger and larger share of their funds loaned. The liquidity requirements for these three agencies should remain the same as for commercial banks.

The following recommendations are made with the view to making the small-scale credit system operate on a business-like and effective basis and to allow government to plan for and manage the level and type of public support that is provided to the system.

(a) Budget Allocation:

Government budget allocations for funding the three lending institutions (Lima Bank, CUSA, ZCF/FS) should be made at the beginning of each budget year on the basis of cost effectiveness as supported by valid detailed cost data. Where this is lacking support should be rejected.

(b) Credit Rationing:

CUSA, Lima Bank and ZCF/FS should each develop a profile of a viable loanee for use in the allocation of available loan funds among potential borrowers. Past data should set standards for this.

(c) Commodity Payment Alternative:

In an attempt to increase loan recoveries in an environment where late payments for maize are common, the study recommends that CUSA, Lima Bank and ZCF/FS develop and conduct a pilot commodity payment program to see if this could improve the situation.

(d) Stop-Order System and Loan Collection:

- improved monitoring of loans outstanding
- refusal to grant further loans for those borrowers who have avoided payment
- close cooperation with all major crop purchasers to help ensure payment.

(e) Interest Rates and Charges:

All the three lending institutions should charge interest rate only for the period for which money is actually borrowed.

(f) Loan Administration and Reporting:

A technical assistance project be established to assist the three lending agencies to improve their loan administration and reporting systems. This would help the lending agencies to better control costs and service customers, improve recovery rates and provide improved information to government and shareholders.

(g) Loan Losses in Drought Years:

The three lending institutions should maintain close contact with each other regarding policies for dealing with borrowers who have difficulty repaying loans because of total or partial failure.

Government should examine ways in which it can assist the lending agencies to bear some of these losses without unduly burdening the national budget.

The study also makes specific recommendations to the input supply system (mainly seed and fertilizer agencies) that are aimed at making the system operate on an economic and self-sustaining basis. Basically, this calls for the full liberalization of the seed supply and fertilizer industries by removing all price controls and allowing competition.

Specific recommendations are made on maize marketing in which the study recommends that maize marketing margins and subsidies should

be set in such a way that they cover actual costs of buying and marketing maize and storage losses. The study also recommends that government should not set producer prices (for maize) unless it is willing to take financial responsibility for any losses incurred as a result.

There is also need to ensure prompt payment to farmers for produce (maize) delivered preferably cash on delivery or within 30 days.

The report makes specific recommendations to the cooperative system that are intended to make it contribute most effectively to a liberalized maize subsector (i.e. both marketing and input supply), either directly or re-deployment of existing assets. It is recommended that cooperatives (individually) should be given freedom of choice regarding whether or not they participate in input supply and maize marketing activities. Where cooperatives are acting as agents for government, there should be a written contract that is entered into freely by both government and the cooperatives affected. Government should reassess the types of assistance which it can offer to local cooperatives (usually primary societies) with a view to strengthening those which clearly have the potential to provide valuable services to their members. Government should also establish a process for systematically addressing the financial problems of the cooperatives and ensuring that their creditors receive due and fair consideration in the process.

(iii) Provincial Planning Unit. 1991: Marketing Advisory Project, a Proposal. Kasama, Zambia.

This project is based on the provincial authorities' felt need that a new project be established to carry on the work accomplished by ZAM 038, a previous project, with another implementing agency and a wider target group.

The development objectives of the project is to increase productive utilization of human and natural resources on a sustainable basis in the Northern Province. The immediate objective is to make effective marketing of produce and services in the province by formal and informal groups. The project proposal has several outputs including improved processing of local agricultural and handicraft produce, construction of sheds at local level, establishment of links between groups and credit institutions etc. The target group for the project are neighbourhood village groups that may belong to societies or other organizations who are interested in improving their conditions through self help on a communal basis. The project proposal is a strictly advisory one with the training component only and with no direct

involvement in the actual economic activities of the target group. The project proposes that the implementing agent be the Provincial Marketing and Cooperative Officer, Northern Province and assumes that GRZ will take over the project after donor support is phased out.

Regarding institutional support, the project proposes to make use of existing infrastructure of NCU field staff and the extension staff of the Ministry of Agriculture to identify target groups. The project was envisaged to start in January 1992 with a duration of 4 to 5 years, the first two years being the pilot phase in one district only, namely Chinsali. The project proposal was put on hold pending this current study.

**(iv) Food and Agricultural Organization of UN. 1991:
Comprehensive Agricultural Development and Food Security
Programme. Rome, Italy.**

The report highlights the major food security issues which need to be resolved and recommends a food security strategy for Zambia which comprises 20 action packages. The report notes that while copper's share of the GDP has declined and that of agriculture has risen, this has been patchy at best and only to a fraction of its full potential.

It is concluded that the structural adjustment policies in 1989 have had only limited impact. With regard to projection and efforts to target subsidies to the poor, the report concludes that even though these have cost a great deal, they have been less effective in reaching the urban poor and have entirely excluded the rural poor.

For the food security strategy to be successfully implemented, the report concludes that basic policy changes and new directions will be required. This includes a liberalized marketing system with a minimum of price controls and governments role being confined to providing an enabling environment for all economic agents to perform their functions on a competitive basis, emphasis on regional comparative advantage in agricultural production, land tenure reform, full recognition and appreciation of the crucial role played by Zambian rural women in food and agricultural production and; improved access to credit by small scale farmers in general. The recommended food security strategy states that the government should "promote a liberalized marketing system in which private traders, autonomous cooperatives and parastatal organizations participate in the procurement, storage, transport of inputs and outputs, and in the processing of agricultural commodities".

This is a fundamental requirement and underpins and preconditions the entire program of action being recommended.

3.0 EXISTING CHANNELS OF DISTRIBUTION OF AGRICULTURAL/VILLAGE PRODUCTS AND IMPACT OF GOVERNMENT POLICIES

3.1 Existing Channels

It is government's wish to have an efficient marketing system for various produce and inputs including village products. With liberalization of agricultural marketing, it is hoped that various market participants will enter or increase their participation in various marketing activities.

Agricultural/village products are marketed through various channels in the Northern Province. These include the cooperative movement (NCU, DCUs and primary societies), parastatal companies (input distributors, processors), private traders (small and large), non-governmental organizations such as churches, and informal outlets.

The cooperative movement is still the major channel for the distribution of inputs and buying of produce particularly for major grains like maize and rice; and fertilizers. Agricultural parastatals such as Lintco also buy cotton and distribute cotton inputs. Beans (mostly of the mixed type) is extensively marketed within Zambia, through private traders, including transporters. Processors such as bakeries and milling companies are also involved in the marketing of wheat and maize respectively.

Government has this year embarked on the registration of all those intending to participate in grain trading. Several private traders have showed interest in participating in grain trade. However, due to low production this year as a result of the drought, only a few traders will be registered in each province. This is to enable government to keep records of purchases i.e. quantities and prices.

Several crops such as sorghum, millet, groundnuts, as well as tubers (sweet and Irish Potatoes and Cassava) are not properly and adequately handled by official marketing agencies. These crops are handled through informal channels such as vendors at road sides and town markets and are also exchanged among villagers themselves. These crops are predominantly produced by women. It is at these minor markets and at village level that women engage in marketing their own produce. There is no government policy or strategy to assist these producers to market their produce. Since there is no sure market for these crops, production is low and women farmers produce only what is required for their subsistence needs or what they can sell in their

immediate surroundings. A major drawback with regard to these crops is that data in terms of what is actually produced and marketed is virtually non-existent. The Village Industry Services (VIS), helps in facilitating marketing of village products mostly through informal and private channels.

2.2 Impact of Government Policies

As more participants enter the market one of the important functions of government is to ensure that there is an efficient market information system in place. This is especially important for major crops and inputs. In order to ensure that information is captured, government would like to have a market information centre that would help collect, analyse, and disseminate market information to all market participants and government policy makers. This is intended to help market participants make rational business decisions and for government to keep track of what is going on in the market.

Increased participation by various agents in the marketing system will also enhance the bargaining power of producers in terms of prices they receive.

With increased market participation, the issue of credit recovery becomes rather important. It has been noted that with liberalization of agricultural marketing, loan recovery by the three credit institutions catering for small-scale farmers has been drastically reduced. This has further been exacerbated by the drought situation this year. However, it is envisaged that credit organizations will have to work out arrangements with maize buyers so that loan repayment can be properly effected.

4.0 THE ROLE OF SMALL-SCALE FARMERS AND VILLAGE GROUPS

According to the 1990 population Census, about 86% of the population in the Northern Province lived in the rural areas. The major occupation of nearly all of these households is agriculture and related activities.

Northern Province agriculture is run by mostly smallholders cultivating only up to 5 ha of crops and little engaged in livestock rearing. In 1989 95% of the farmers in the province cultivated less than 10 ha of land. Until 1989, Northern Province was a major producer of maize and was exporting up to 40% of its marketed produce to other provinces. Other crops produced are beans, finger millet, sorghum, rice, cassava, soyabeans and groundnuts. As producers of food, farmers contribute to the maintenance of both household and national food security.

Cash crop farming is important in the village economies since this enables rural populations to purchase consumer commodities and fulfil other obligations. In the past maize has been produced both for food and has also been the chief cash crop because of the favourable production and marketing environment that this crop enjoyed. With liberalization the situation is likely to change in favour of other crops according to farmers' production and marketing costs in different areas of the province.

Farmers have also played a subsidiary role of producing raw materials for the urban areas. Currently however, this role is not clearly apparent because of the lack of a formidable small scale industry sector to provide the forward linkages for these raw materials e.g sawed wood, hides etc.

As consumers farmers provide a market for consumer goods, including farm inputs and therefore contribute to the growth of these sectors.

Apart from marketing activities conducted through primary societies, farmers have been little involved in the marketing arena, especially for controlled products. This is because of the lack of incentives in these areas. With free market conditions, farmers could now actively pursue on-farm storage, on-farm food preservation etc.

Village groups of various kinds play different roles in the village according to their objectives. These may be religious, political, social etc. For members they provide a sense of belonging and support in their daily activities. For development promoters they provide a base within which development effort can be introduced. In this aspect the various groups could provide the initial organization to evolve as a business

entity. Most groups can embrace development projects within their objectives.

5.0 POTENTIAL ROLE OF PRIVATE ENTERPRISE

5.1 The Policy

Government policy to liberalize the economy in itself underscores the importance of private enterprise. The aim of liberalization policies is to encourage the participation of private enterprise and to leave the actual conduct of business to this sector. In addition the aim of allowing several private actors, rather than monopolies, whether government or otherwise, to operate in business is to create a competitive environment which will lead to efficiency.

5.2 Past Performance

Private enterprise has for long been active in the agricultural marketing sector in the Northern Province. Private traders have been active in the purchase and sale of agricultural produce with no price controls and where they have anticipated reward for their enterprise. A good example of one such product where traders have been heavily involved is sugar beans.

Sugar beans are extensively produced in Northern Province, especially in Mbala, Isoka, Luwingu and Mporokoso. The price of beans is freely set by market forces of supply and demand. Prices fluctuate from a low price immediately after the harvest to a maximum price during the rainy season when supply is low, reflecting returns to storage. Traders come from as far afield as Lusaka and Copperbelt towns to buy this product. They sell it in the urban markets at higher prices to cover transport costs and some profit margin. This outline gives a profile of an economically traded good. With liberalization this situation is likely to obtain for all agricultural produce and other village products.

5.3 Potential Role in Agricultural Marketing and Other Village Enterprise

As in other sectors, the private sector will play a pivotal role in agricultural marketing and related activities. For example, the deregulation of fertilizer prices means that private traders will play an increasingly important role in the delivery of inputs to farmers including fertilizer. The control of prices which hitherto prevented the participation of private enterprise in the area of agricultural input marketing will no longer be a factor, since traders will charge economic prices for their goods and services.

Similarly, the eventual complete removal of subsidies on maize and deregulation of maize pricing will attract the entry of small traders where business is economic.

Nitrogen Chemicals of Zambia (NCZ) management in Northern Province, in cognizance of the unfolding situation is currently taking applications from individuals/organizations to act as dealers in fertilizer throughout the province.

Private traders have in some instances acted as suppliers of consumer commodities by purchasing crops in kind. This has been necessitated where small-scale producers who are distant from consumer markets prefer goods rather than money for payment of produce. There is no reason why this arrangement should not be strengthened by encouraging commodity supply to cooperative consumer shops or other local retailers. This way small truckers would be making economic two way trips to and from the destination of produce purchase.

Small scale enterprise in the agricultural marketing sector is not limited to trading in inputs and output. With the marketing system operating efficiently and economically, crop production patterns will emerge that are in line with the comparative advantage of the areas concerned. In addition some new areas of enterprise might open up as specialization evolves e.g. manufacture of high value village products e.g. handicrafts for export, leatherwork etc.

5.4 The Role of Government

Clearly, opportunities for private enterprise in a liberalized economy are limitless but action will have to be triggered and supported by a conducive business environment. Government should provide an enabling environment in the form of good road networks, efficient communication systems, storage facilities, facilitating access to credit for purchase of capital e.g. small trucks, abolishing restrictive legislation for exporters, monitoring quality standards etc. Several pronouncements have been made by government acknowledging their role in the liberalized economy. However, the extent to which private enterprise effectively participates in the economy will depend ultimately on government commitment to the translation of these policy pronouncements into action. This is of paramount importance.

6.0 POTENTIAL ROLE OF COOPERATIVE ENTERPRISES

6.1 Present Status of Cooperatives in Northern Province

6.1.1 Provincial Cooperative Unions

Until 1990 primary societies in Northern Province were affiliated to the Provincial Union (PCU). The PCU was in turn affiliated to Zambia Cooperative Federation (ZCF), the apex body for cooperatives in Zambia. In 1989/90 the government introduced a new tier, the district cooperative unions (DCU's). Only five out of nine districts in the province have autonomous district unions.

The formation of PCU's and DCU's has largely been through government action and initiative and for the main purpose of creating a tool by which government policies could be implemented. This top-down development of cooperatives has left the PCU with no grassroots base and no fair chance to render services on the basis of felt needs of member societies. Apart from this problem, inadequate training of managerial staff has caused substantial physical losses of both inputs and output. Lastly but not least, the PCU in Northern Province has been hampered by alleged misappropriation and misallocation of funds.

6.1.2 District Cooperative Unions

The DCU's have an autonomous status and they have just started to operate. They lack most essentials that could make them strong actors in the marketing system. The new government, however, has indicated that it is going to focus its support on DCU's rather than PCU's. This support may include salary support to management in order to ensure smooth running of marketing operations. If this materializes, the DCU's will still be short of logistic capacity and capital to undertake large-scale marketing responsibilities in remote areas. In the course of time this may change when the primary societies, which are now affiliated to the DCU's, become viable. The study team made a probe into the affairs of Kasama DCU and found that statistics were up to date and that all affiliated societies had paid up a minimum share capital. But so far no dividends and commission had been paid to members. The situation as reported by other members of primary societies, seemed to be similar in four other districts whereas primary societies in the four remaining districts namely, Luwingu, Mporokoso Kaputa, and Chilubi are still directly affiliated to the PCU.

6.1.3 Primary Cooperative Societies.

At the very bottom of the four-tier structure we find the primary cooperative societies. According to the PCU, they number a total of 167 and are for the most part multi-purpose cooperatives (MPC's). Their main functions have so far been:

- a) Procurement and distribution of inputs to farmers.
- b) Storage and transport of inputs and produce.
- c) Supply of credit to farmers.
- d) Processing of agricultural produce i.e milling.
- e) running consumer shops.

In most cases societies have failed to perform their functions as expected by their members. This has caused frustration and disillusionment among the rank and file of the peasant farmers who hence show no sincere commitment towards their society. Lack of merit can be attributed to several factors among which the following are predominant:

- a) timeliness of various operations; e.g. procurement of inputs, collection of produce, supply of credit and payment for produce.
- b) lack of proper storage facilities.
- c) ill-trained management.

By and large it is fair to say that most primary societies in Northern Province are dormant. Because they have been used as agents for executing communal tasks on behalf of the government, they are now being alienated from their members. Hence they appear to be neither member-oriented nor member controlled. The main incentive to become a member is to qualify for privileges and benefits offered through external channels. In the field of agricultural production the cooperatives have been used as intermediaries for the distribution of inputs and collection of produce. The trade margins, however have been so small that the cooperatives have, in fact, incurred losses as buyers of the last resort. The reward for the member and the society has been kept at a minimum. The relationship between government and cooperatives has therefore been that of master and servant rather than that of partners. As a consequence, many cooperatives have been operating more as depots than as business.

6.2 Potential Role of Cooperative Enterprises in Future Marketing Strategies

6.2.1 Basic Principles

The key elements of cooperative identity are contained in the definition of a cooperative society as given in the famous Recommendation No. 127 of the International Labour Conference 1966: " A cooperative society is ".....an association of persons who have voluntarily joined together to advance a common end and through the formation of a democratically controlled organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate."

Cooperatives as self-help organizations should focus on their members' needs. Only when members satisfy their needs better through their cooperative than through any other venue will they be prepared to acquire and maintain membership voluntarily and participate actively and with their own resources.

Members of cooperatives can only play their role as co- owners, co- decision-makers and controllers if they know their rights and obligations. Therefore, they must be taught the rules of cooperative work and office-bearers must learn to respect the role of the members and look after their interests.

6.2.2 Identity Crisis

In genuine cooperative structures, the process evolves from the bottom to the top. In Zambia, however, the cooperatives have largely followed a top-downwards development. This is exemplified by the decision to establish Provincial Cooperative Unions (PCUs) in 1981. In 1988/89 the Government further decided to insert another tier between the PCUs and primary societies in the form of District Cooperative Unions (DCUs). These interventions clearly show that cooperatives are meant to serve as instruments for the implementation of government policies. This again leaves cooperatives in a crisis of identity.

6.2.3 New Image

Under the new government policies of deregulation and privatization, cooperatives stand a chance to build up a new image as private self-help organizations committed to render services to their members. Only such types of cooperatives, formed on a voluntary basis, and against a background of felt member needs, will survive. Still they will have to learn to operate like private business organizations, with

professional management, competitive working conditions and a solid financial base.

The new policies have created a conducive environment for the growth of cooperative enterprises. On the other hand, cooperatives will now be exposed to the rough conditions of free enterprise in competition with commercial firms. In such a climate there is little room for permanent privileges. But they should be given a chance to survive during the difficult first years of existence and enjoy privileges and support generally offered to infant industries.

6.2.4 Impact of Free Enterprise

In this context the quality of infrastructure, i.e. feeder roads will play a crucial role. With the new system of free competition the remote areas will be left at a disadvantage due to high transport costs. This in itself may serve as an incentive to form cooperatives, but still the cooperatives cannot take over the role of public authorities to provide infrastructure. Equally important is the provision of training of members and staff and likewise, access to credit and/or grants. For the sake of creating income-generating activities like hammer mills, oil expellers etc. there will also arise a need for professional advice and support. The above mentioned bottlenecks call for an integrated approach to improve marketing systems in rural areas in the Northern Province.

6.3 An Integrated Approach To Improve Marketing Activities

6.3.1 Resource Base

The cooperative philosophy focuses on self-reliance, own initiative and initial self-help. Under the impact of economic liberalization it has become increasingly important to mobilize local resources toward a sustainable rural development. It is however, necessary during an intermediate period to provide external assistance to the formation of viable and member controlled cooperatives, i.e. pre-cooperatives and primary cooperative societies.

6.3.2 Scope

Such business units have a two-fold potential:

- a) to produce surplus food and cash crops for domestic use and for export.
- b) to raise the standard of living among peasant farmers.

The successful development of genuine cooperative organizations should benefit the resource-poor segments of the population who otherwise will be at a great disadvantage in a competitive and liberalized market. Promoting this policy will also assist the government in pursuing its welfare policy.

6.3.3 Marketing Concept

The concept of marketing cannot just be confined to one activity like bringing produce to a market and exchanging it for cash or barter.

Marketing is an integral part of such activities as procurement of inputs, transport, storage of inputs and produce, credit, extension, and training. In this context we shall also define processing of agricultural produce, village industries and retailing under the umbrella of marketing. Given this wide perception of marketing one has to apply a multi-pronged strategy to achieve desired results. In practical terms this means that a multitude of different services shall be rendered, and on time, in a certain sequence and at an acceptable price. This logic is easily demonstrated when looking at an enthusiastic farmer who has recently received training. Still if he has no access to credit, or inputs arrive too late, he will naturally become discouraged.

6.3.4 Support Package

Under certain conditions a support package can be prepared for groups or societies. The content of this package shall be determined by the group itself and tailor-made to suit specific requirements that the group may have. In principle a standard support package shall allow for provisions in the following key areas:

- infrastructure such as sheds, slabs and staff houses.
- equipment such as scales, cash registers and safes.
- training and education of members and selected target groups through field training activities.
- salary support to staff during a limited period.
- development and implementation of management systems.
- food processing and retailing
- link up to existing credit institutions

-consultancy services in areas of appropriate technology and small scale industries

-logistic support

-agricultural extension service.

-promotion of pre-cooperatives and women groups.

6.3.5. Community/Group Participation

The integrated approach implies that assistance will be given only to the extent members express their needs. It is further hinged on the principle of community participation. Equity contributions can be made either in cash or in kind. Any new activity that the group embarks upon shall be accompanied by relevant training of those involved. By concentrating resources this way one is more likely to achieve sustainability and lasting impact.

6.3.6 A Development Opportunity

The integrated approach to cooperative development should not be imposed on groups but rather be presented as a development opportunity. All questions that arise shall be resolved by majority vote and all external support shall be matched by a comparable contribution from the group. Prior to receiving support, a group shall be deemed viable and also meet certain criteria in terms of independence and member control. External support will be phased out gradually, after 3-4 years as the group finds its own feet and can operate on its own merit.

This type of contractual arrangement between donor and beneficiary, is meant to create a sense of self reliance. Support may be extended to already existing primary societies but the very size and homogeneity of a group is a crucial factor for success. Ideally, all members of a group should know each other. A group is also likely to function better where members share a common interest, i.e. business interest. When identifying potential groups, preference should be given to women.

6.3.7. Human Development

The strategy of promoting a genuine cooperative movement through an integrated and carefully monitored approach has as its primary objective to make peasants become more market oriented. But this strategy is also an educational exercise that may otherwise not be

made available to the rural poor. In that context the integrated support may be termed an investment in human development.

7.0 OUTLINE OF PROJECT PROPOSAL

7.1 Justification

The new government policies with a focus on deregulation and free trade, have created a conducive environment for the establishment of a genuine cooperative sector in Northern Province. This also means that cooperatives will have to compete with private traders. Given a situation with normal crop yields, traders, however, may not operate in remote areas with a poorly developed infrastructure. This will leave the peasant farmer at a loss insofar as marketing activities are concerned unless he/she develops his own marketing system. If, on the other hand food shortage prevails in the region, private traders will penetrate into peripheral areas and be in a position to exploit the rural poor unless a competitive actor is present. In both instances, cooperative organizations may appear to be the only alternative through which the rural poor can get access to market services and avoid exploitation.

7.2 Objectives

The overall objective of the project is to establish sustainable marketing facilities for agricultural produce, farm inputs and other village products among small rural farmers and village groups in parts of the Northern Province. This may create an incentive for increased food and cash crop production and thereby contribute to meeting the demand for more food in the region and leaving the peasant farmer as the main beneficiary.

7.3 Strategy

The objective stated above shall be achieved by providing support for the development of a genuine cooperative movement based on pre-cooperatives, primary societies and other village groups. Based on the fact that marketing is closely interlinked with production, provision of inputs and processing, an integrated approach will be applied through which a "support package" should be offered to carefully selected groups conditional to equity contribution from the beneficiaries. The aim is to develop these groups into model cooperatives that in due course may have a demonstration and spread effect to other groups.

7.4 Target Groups

The main target groups shall be small-scale producers of agricultural and other products in peripheral areas of the Northern Province. Women and disadvantaged groups will receive special consideration and be

subject to preferential treatment. Services and support will be rendered to groups but also to individuals whose services are deemed vital for the community or otherwise are viable business propositions in a competitive market.

7.5 Activities

The project shall render vital services to groups and individuals on a cost-sharing basis. The project shall further provide consultancy services and establish links to other support functions in the area so as to facilitate marketing activities. The following important activities can be listed:

- provision of timely transport for procurement of inputs and collection of products

- building of infrastructure such as roads, sheds, slabs, staff houses and shops

- promotion of business activities such as grinding mills, oil expellers, retail shops and workshops (carpentry, tailoring, blacksmiths, sewing, basket making, pottery, etc)

- link up to existing credit institutions.

- education and training of members and management

- mobilization of groups to provide equity contributions

- provision of specialized services on a consultancy basis, e.g. appropriate technology, village industries

- provision of agricultural extension services and market information

- introduction of oxen as a means of haulage of both produce and inputs to and from depots and markets.

7.6 Area of Operation

In the pilot phase the project shall operate in two districts, i.e. Mbala and Kaputa. Mporokoso is an alternative to Kaputa. Both districts are peripheral to the provincial capital, Kasama, but possess distinct characteristics. Mbala is among the more developed districts in Northern Province and grows a wide variety of agricultural products in addition to cattle rearing. Kaputa, on the other hand, is considered a

poor district and is heavily dependent on fishing. Mbala already has a district cooperative union whereas such is not the case in Kaputa or Mporokoso. One interesting aspect of this project will be to see if a district union can emerge as a result of felt needs by primary societies. If, and when it is established, one can compare performance with the top-downward founded unions, i.e. Mbala district. By launching the project in different environments one may obtain more reliable and varied information. That is the main rationale behind the specific choice of districts. However, a baseline study should precede the project so as to map socio-economic parameters as well as provide guidelines on how to select groups for integrated support. The study team advocates that a maximum of twenty (20) groups be selected during the pilot phase.

7.7 Implementing Agency

The project shall be implemented through ZCF Development Services Division. This is an autonomous division under ZCF that was created in August 1991. ZCF is the apex organization of the cooperative movement in Zambia and ZCF/DSD operates similar programs in five other provinces. ZCF/DSD has adopted an integrated approach to primary cooperative development and works closely with the Cooperative College Society Limited, the ZCF Finance Services and the Cooperative Bank.

7.8 Institutional Linkages

It is envisaged that ZCF/DSD shall second senior staff i.e. cooperative technicians (CT) to the project to be stationed in the respective districts. The CTs will work in close collaboration with the district cooperative union (DCU) where this tier is established and also with staff from the Ministry of Agriculture, Food and Fisheries at district level. In Kaputa or Mporokoso district, where there is currently no DCU, the CT and such additional staff as credit officer, cooperative training officer and women in development officer, would initially form a project field team under ZCF/DSD. This team may in the course of time serve as the nucleus for a DCU and eventually be absorbed by the DCU.

As regards international structures it is preferable that supporting organizations in donor countries are in the private sector (refer to the Royal Society for Rural Development in Norway). Such arrangements facilitate the recruitment of suitable technical expertise and underlines the non-governmental nature of cooperatives.

7.9 Operational Linkages

In addition to the institutional linkages as described under section 7.8 above, the project shall have to liaise closely with various support services for the fulfillment of project objectives. Among these are credit and savings organizations such as ZCF Finance Services, the Cooperative Bank, CUSA, and other lending institutions. For infrastructural investments, e.g. sheds, slabs, and for the sake of creating business activities e.g. hammer mills, links have to be established to consultancies e.g. Interconsult, Village Industry Services (VIS), and Village Development Fund (VDF). Training programs for members and staff can likewise be planned and provided for through the Cooperative College, regional agricultural colleges, the agricultural extension service, and ARPT. In the event that lack of feeder roads represent a serious hindrance for marketing activities, one may also consider approaching the relevant authorities such as ZAM 026 i.e. "Labour-based road improvement and maintenance Project."

7.10 Resource Requirements

Although implemented through ZCF/DSD, the project shall have to be financed largely by donor contributions. Due to economic constraints even seconded personnel may have to be paid by the project during the initial phase, i.e. pilot phase. One expatriate specialist will be required for a period of 3-4 years. The post requires a person with an all-round background from cooperative and agricultural field experience, and with a good grasp of technical issues such as appropriate technology, processing machinery, and construction work. The expatriate specialist must be stationed in Northern Province.

One senior cooperative technician on secondment from ZCF/DSD will be posted to each of the two districts. Project funds will be needed to provide for salaries, housing and vehicles. Additional staff shall be needed to render services in fields such as training, credit and saving, and agricultural extension. These staff (6) may be seconded from the cooperative movement or from the government but pending a final agreement on this issue.

Certain funds must also be allocated for short term consultancy assignments in various technical areas as well as coverage for workshops, training and evaluation.

Project inputs in infrastructure such as sheds, slabs and income generating activities such as grinding mills and oil expellers may have to be given on a part-grant basis.

Provisions for credit may also have to be considered under special circumstances, i.e. when a project is deemed viable but sufficient equity base is lacking to qualify for loans. Credit provision should mainly be made for women and women's groups.

In principle, the project should operate within a flexible budget frame so as to allow for tailor-made support packages.

7.11 Time Scope and Plan of Action

The project has an aim to test out a methodology for creating bonafide cooperative societies that can be instrumental in carrying out marketing activities. Therefore, the project should be launched as a pilot scheme. All activities must be monitored carefully and after 3-4 years its impact should be assessed. The project should be started as soon as a baseline study has been carried out.

8.0 GENDER-RELATED ISSUES

8.1 Broad Overview

The extent to which women participate in local development initiatives, their integration in mainstream activities and the types of organization they are involved in depends to a large extent on the roles that are moulded for them by their society.

A finding of the team in Northern Province is that there is minimal participation of women in grass roots level mainstream activities e.g. primary cooperative societies. There is virtually no representation at grassroots level. This finding has been recorded by various other studies in the province since 1985. It appears then that there has been little progress achieved in this aspect over the past decade.

8.2 , Options for Women's Participation

For a long time women have commonly grouped themselves into clubs or women's groups which mainly have had a welfare approach/management rather than an income generating orientation. These groups may be found either within primary cooperative societies or outside. While these groups have tended not to be viable and self supporting as economic units, they could provide a starting point for more economic organizations directed towards income generating activities.

Organizing women's participation based on women's groups would initially be useful and necessary to train women in management skills and to boost their self confidence. Ultimately, however, the aim should be to integrate these groups into mainstream organizations where they could then participate on a more equal footing, with their male counterparts. The advantage of integration is that gender related problems are more likely to be addressed holistically, rather than be given a piecemeal approach.

8.3 Women's Problems Outlined

8.3.1 Areas of Participation

In 1990, 85.8% of the population of Northern Province resided in the rural areas, an increase from 82.5% in 1980 (Census of Population, Housing and Agriculture: 1990). The major occupation of the rural areas is agriculture. The labour force survey of 1986 reported 284,900 women to be engaged in subsistence agriculture. Taking this figure as a proportion of females in the rural population in 1990 (383,704), roughly 75% of the women in the labour force are engaged in

agriculture. This proportion may likely be higher considering that the 1980 figure may have risen. Even without a change in this figure, a higher proportion would result from a lower 1990 figure since the latter figure includes females of non working age. These figures indicate that the most impact in improving the economic status of women would be achieved by supporting their performance in the agricultural sector.

8.3.2. Constraints to Improved Economic Participation in Agriculture.

At the grassroots level, problems of lack of management skills tend to be universal for both men and women. However, the problem is augmented for women by their lower literacy rates. Primary societies interviewed confirmed women's lower literacy rates. This contributes to their non participation at leadership levels. Among other things, illiteracy may make it difficult for the affected to comprehend and implement agricultural extension messages.

Another factor that prevents women to participate effectively in economic ventures is the labour constraint. Female headed households tend to have heavier work loads than women in male headed households (Sharpe: 1990) and labour power available within the household is usually lower than in the latter type of household. However women in the latter household do not control their own labour (Geisler et al.: 1985). For both groups labour spent on household activities increases the workload. In order to facilitate participation, it is necessary to break this bottleneck by introducing labour saving technologies either indirectly in household activities to free labour for more productive purposes or directly in productive enterprises.

The lack of credit has been a major hindrance for women's effective participation in economic ventures. According to VIS, women have often conceived economically viable projects, but where these projects require them to put in some money, the project ideas have died a natural death because women do not have the initial funds.

In some instances lack of participation by women has been due to the perceived role assigned to them by their communities. Most traditional societies regard women merely as wives and mothers rather than business persons in their own right. This defines the types of activities that they may engage in. The women's lack of education may prevent them from challenging these assigned roles. For example, some primary societies do not allow both husband and wife from one household to belong to a society and this may be so stated in the society's by-laws.

8.4 Suggestions for Women's Integration in Project Activities

Women are heavily involved directly in agricultural marketing by selling food commodities on a small scale in informal and urban markets. However, for the most part, their volume of business has remained low because of lack of working capital and other supporting infrastructure. Access to credit would improve their performance.

Existing projects that in any way help to lessen the labour burden of women should be supported and encouraged. For example, hammer mills present in some areas would lessen the burden in food processing. However in order for these hammermills to offer an efficient reliable service there needs to be coordination as to their location, source of spares, maintenance backup etc.

Oxenization presents another possibility for solving the labour problem, as long as this takes over some of the activities performed by women in agriculture or in household chores for example, hauling of water from the well or river.

Viable women's only projects should be encouraged and supported if only to give management skills to women. Ultimately women should be targeted in mainstream ventures.

9.0 RECOMMENDATIONS

9.1 Need for Support

NORAD must continue its support to develop market-related activities in Northern Province during the coming 4 years. The study has revealed that there is no short cut to establish improved marketing facilities. The problems encountered are complex and their solution calls for an integrated approach. The present government policies, however, have created a conducive environment that is likely to facilitate this process. On the other hand, small scale producers in rural areas will be left at a disadvantage compared to other groups. NORAD may alleviate the burden of the rural poor by helping them creating their own marketing activities or otherwise get access to markets.

9.2 Type of Support

Support ought to be rendered in the following key areas:

- road construction and road maintenance
- expanded coverage of depots and storage sheds
- education and training in business management and various trades/industries
- link up to existing credit institutions
- agricultural extension service
- market information
- provision of consultancy services for processing and small village industries.
- expanded use of oxen for haulage.

9.3 Pilot Project

A pilot project based on an "integrated approach", should be launched in order to test the relevance of improving marketing activities through the formation of grassroot-based pre-cooperatives and primary cooperative societies. Support given shall be tailor-made to suit expressed needs of each group or individual. Henceforth, there is no set of rules for what type of assistance is more important. Each element of a support package forms an integral part of a system. The absence of

vital links may cause the marketing activities to collapse or function sub-optimally.

The project may also render services to individuals at village level who present potentially viable business propositions.

The pilot project should commence as soon as possible. A baseline study, however, ought to precede the project and this study may preferably be carried out this year (1992). The proposed duration of the pilot phase is 3-4 years.

9.4 Road Network

NORAD should continue and increase its support to improve the feeder road network in Northern Province. Proper roads into remote areas will greatly enhance possibilities for trade and consequently, open up new business opportunities. Lack of roads together with poor maintenance, is currently a serious obstacle for the efficient operation of a marketing system.

Road works should preferably be carried out on a self-help basis or on contract. This will create local employment opportunities and secure future maintenance.

9.5 Agricultural Research and Extension

NORAD should continue its support to current adaptive research activities and agricultural extension. These activities are vital links between producer and market. They will enable smallholders to be abreast with current market preferences as well as applicable technology and husbandry practices. Consequently, they will be in a position to realize the potential of a liberalized market. Agricultural extension plays an important role in the integrated approach.

9.6 Private Enterprise

NORAD should continue its support to the private sector by providing training and advisory services to small-scale entrepreneurs who intend to patronize the rural population, and especially women. Emergent private enterprises in rural areas will need consultancy services such as preparation of project appraisals and market analyses. Once a venture is deemed viable and sustainable, the capital required should be extended by local commercial banks. Given the current run-away inflation rate (over 50%), venture capital should not be provided except under special circumstances. However, grants could be provided to women's and other disadvantaged groups. Future support by NORAD

should be channeled through the already established Village Industry Services (VIS).

9.7 Market Information System

NORAD should consider assistance to design and develop a market information system for Northern Province that provides data such as acreage planted, crop forecast, produce in stock, availability of inputs, prices and market preferences. Provision of such information would greatly assist farmers in their seasonal planning. The system would also be helpful to all marketing agents as well as government planning units. Once the system proves its merit it should be introduced nationwide.

APPENDIX 1

INDIVIDUALS AND INSTITUTIONS CONSULTED

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APPENDIX 2

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APPENDIX 3

TERMS OF REFERENCE

STUDY ON FEASIBILITY OF NORAD ASSISTANCE IN THE AGRICULTURAL MARKETING SECTOR IN THE NORTHERN PROVINCE WITHIN THE FINANCIAL FRAMEWORK OF ZAM 020

1. Background

Over the past decade, the Northern Province emerged from being a food deficit province to a surplus producer, particularly of maize. During this period agricultural policy including that of subsidies have been applied to favour maize production and consumption as a way of safeguarding the availability and affordability of maize, a widely consumed staple food in Zambia.

To facilitate this process, various institutions in agricultural marketing, administration of credit, and distribution of agricultural requisites and produce has been implemented with varying levels of success. During this period the cooperative movement has also played a leading role in agricultural marketing- especially maize.

With a view to improving agricultural marketing, NORAD has been supporting the cooperative movement in the Northern Province in the areas of Cooperative Credit and Cooperative Development. Until 31st December 1991, NORAD provided support through a project known as the Local Cooperative Development Project which included the following aspects:

- I Technical assistance including a Financial Advisor and Wholesale Marketing Advisor
- II Cooperative Development- covering education including gender awareness
- III Infrastructural Development- covering the construction of sheds.

Recent agricultural policy changes have strived to eliminate the ill-afforded subsidies from agriculture and maize consumption, and in addition to wrestle the monopoly that was being held by the cooperative movement in the area of agricultural marketing- especially of maize. Further developments in the liberalization of the agricultural sector are being instigated presently with a view to improve efficiency. It is therefore anticipated that the government's propping of the cooperative movement vis a vis the agricultural sector will diminish in the very near future.

In view of these agricultural policy changes the purpose of this study is to outline what and how support could be channelled to assist in agricultural marketing, bearing in mind the need to promote sustainable institutions and the role of the private sector within the context of the policies being enunciated by the Zambian Government.

The Provincial planning unit proposed in 1991 a new project- the Marketing Advisory Project- to take over and expand on the training component of the above mentioned Local Cooperatives Development Project- ZAM 038, which was closed at the end of 1991. This project was envisaged to be placed under the Provincial Marketing and Cooperative Officer in the province.

the new government is re-defining the government structure including the agriculture sector and the role of cooperatives. As a result of this , the Eighth Annual Sector Meeting (ZAM 020), which took place in Kasama from 4th to 6th December, 1991, decided to postpone the implementation of the proposed project, and agreed that a study be carried out to establish the feasibility of a new project within the Agricultural Marketing sector to operate within an existing GRZ or other institutional framework.

This study shall provide a basis for a new project proposal for activities aiming to improve the marketing activities with particular emphasis on small-scale producers of agricultural and other products within the Northern Province.

2 Objectives

The objective of the study is to establish and outline how support can be channelled to assist in agricultural marketing, assisting the implementation of the forthcoming GRZ policies regarding the marketing of agricultural and other village products by small-scale farmers/village groups in the Northern Province.

3 Scope of Work

3.1 Describe the legal framework and general policies regulating the marketing of agricultural products in the Northern Province.

3.2 Draw upon relevant local and international studies and other official documents, and summarize their recommendations and conclusions.

3.3 Describe and assess the present channels of distribution of agricultural/village products in Northern Province, and what impact a liberalized economy (the new GRZ policies) will have on these.

3.4 Describe ways and means of assisting farmers at village level to get access to or establish marketing channels for their products.

3.5 Assess the present role of small-scale farmers and village groups in the GRZ marketing strategies for agricultural products.

3.6 Assess the potential place of alternative private enterprise in the marketing structure, with special emphasis on small scale enterprises.

3.7 Assess gender specific issues and how these can be approached within the activities of a new project.

3.8 Consider and make recommendations as to NORAD's continued involvement in marketing-related activities in the Northern Province in the coming 4 years.

3.9 To indicate in broad terms, an outline for a new Project Document for implementation in the period 1993 to 1996, indicating the scope of activities to be undertaken by a new project in this sector with a time scale for building up of activities.

3.10 To outline the relationship between the proposed project and institutions involved in agricultural marketing.

4. Mode of Work, Participants

4.1 The team shall have three members, one appointed by NORAD and two by the Provincial Planning Unit, Northern Province, one of them being a sociologist, preferably a woman.

4.2 The work shall be carried out in cooperation with appropriate local and national authorities, as well as with NORAD in Lusaka and Oslo.

4.3 The work shall be carried out as soon as possible after the new Agricultural Marketing Policies have been made public by GRZ.

APPENDIX 4

ACRONYMS

ARPT	Adaptive Research Planning Team
CUSA	Credit Union and Savings Association
CT	Cooperative Technician
DCU	District Cooperative Union
GDP	Gross Domestic Product
GRZ	Government of the Republic of Zambia
IFAD	International Fund for Agricultural Development
Lintco	Lint Company of Zambia
NAMBOARD	National Agricultural Marketing Board
NCU	Northern Cooperative Union
NCZ	Nitrogen Chemicals of Zambia
NORAD	Norwegian Agency for Development Cooperation
PCU	Provincial Cooperative Union
PPU	Provincial Planning Unit
UNIP	United National Independence Party
VIS	Village Industry Services
VDF	Village Development Fund
ZCF	Zambia Cooperative Federation
ZCF/DSD	Zambia Cooperative Federation/Development Services Division
ZCF/FS	Zambia Cooperative Federation/Finance Services