

PERSPECTIVES FOR COOPERATIVES IN SOUTHERN AFRICA, CONFERENCE ON
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**PRESENTATION ON
INDUSTRIALIZATION OF RURAL AREAS
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INTRODUCTION

- Zambia is a resource-rich country with a large reserve of natural wealth: land, water, human resources, climate, forests, fisheries and minerals while land remains largely under-utilized, while a larger number of population continues to hover in poverty.

The main effects of past policies in agriculture :

- › Maize monoculture has stifled real diversification;
- › Budget Resources have been diverted from rational investments such as roads and irrigation;
- › Inefficient marketing has resulted into spoilage, storage losses, pilferage and corruption;
- › Only a few well-capitalized farmers have benefited from the subsidies;
- › Private sector has been crowded out of agri-business;
- › Commercial supply for fertilizer in rural areas has been slow to take off;
- › Trade bans have delinked Zambian producers from foreign markets.

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- The potential contribution of the agriculture sector to economic growth thus remains one of the least exploited in Zambia, with stagnated productivity and sector growth, despite a rich endowment of soils, water and climate

- Zambia's Future lies in Agriculture which requires an urgent dose of innovative policies and legal reforms that shall ensure predictability and transparency and allow for increased public sector investments for rural infrastructure so as to inspire and stimulate increased private sector investments and participation in the agri-business value chain.

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- › The ZCF Plan and strategy is to industrialize and commercialize rural farming into profitable and market linked business areas through a network of cooperative movement enterprises. The Plan is to establish a network of financially sustainable cooperative enterprises to deliver farm services and strategically placed value adding processing facilities closer to production areas.

JUSTIFICATION AND RATIONALE THE PLAN

- › Less than 8% of its 42million hectares of arable land is being utilised;
- › Over 70% of the population depend on agriculture livelihoods but less than 20% are engaged in active commercial markets;
- › Zambia has same pasture land as Kenya, but Kenya has more than 20million herds of cattle, while Zambia has less than 5million herds;
- › Less than 5% of its cropped land is irrigated despite holding more than 40% of water resources in the SADC region;
- › Suitable agro climatic conditions for sustained year round agricultural production;
- › Land-linked country with access by road, rail, water and air to all countries in the SADC and COMESA countries with over 350million people;
- › Zambia has a rising population, especially the urban-based middle class of consumers of agriculture products.

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With improved policies, legislation and stable political environment, Zambia should begin to find its position on the global market with rising trends in the demand for commodities like sugar, wheat, cotton, livestock, fisheries and game ranching. This should stimulate growth in the economy based on innovative private sector. The smallholder producers have proved that they can produce all types of produce given the right incentives and opportunities such as extension services, land security, inputs, mechanization equipment, communication infrastructure, links to processors, and timely information on prices and markets.

Cooperative Movement – Emerging Agri-Business Scenario

- ▶ The emerging agri-business scenario in Zambia is dependent on the inter-relationship among groups of players in the market. The public sector that has hitherto dominated the agri business should withdrawal from engaging in business and focus on providing a conducive and enabling policy environment, public infrastructure and public services and in reaction the private sector will begin to take the driving seat in agriculture production and provision of integrated agri-business services. The cooperative movement places itself as a vital cog in the private sector and a key link between the smallholder farming community and other businesses, processors and traders in the value chains

INDUSTRIALIZING THE RURAL AREAS

- ▶ ZCF has developed a 5 year Strategic Business Plan which builds on the movement's strengths and opportunities while recognising the weaknesses and threats with a view of taking corrective action. ZCF has outlined the viability of commercialized rural Primary Cooperative enterprises. The Strategic Plan provides a general framework for future planning with a vision, mission and the goal.
- ▶ **Vision:** By the year 2030 attain an industrialised rural area through Agro-processing, and control atleast 50% of Zambia's Agro-business market which includes the provision of inputs and markets
- ▶ **Mission:** Become the main reference point for transforming Zambia's agriculture from dependency to self-sufficiency and competitiveness.
- ▶ **Goal:** Contribute to broad-based growth through the transformation of the agriculture sector into a productive, diversified, commercialised and competitive driver of Zambia's economy

STRATEGIC OBJECTIVES,

The main objectives of ZCF as a mass economic empowerment organization for the next five years shall be:

- ▶ To assume and sustain commercial agribusiness market share leadership.
- ▶ To build a strong outreach capacity for cooperatives and farming communities.
- ▶ To mobilise and efficiently allocate, manage and utilize company resources.
- ▶ To provide improved financial services to cooperative members.

STRATEGIC OBJECTIVES

- ▶ Zoning of agri-business activities and enterprises to specific areas based on comparative advantage will also be done to reduce costs, enhance specialization and raise productivity and profitability within these zones. Value addition industries will be created within production areas to reduce both on transport and price finished products (more money in the pockets)
- ▶ ZCF will work with PCSs as independent entities or clusters of industries to manage the biggest network of agro-dealer shops to provide the back-bone for input supply and commodity trade in Zambia.

THE VALUE CHAIN APPROACH

- ▶ ZCF will adopt a market focused collaboration and promotion of trade between and among PCSs and other external players this will form the core of our business strategy.
- ▶ At each level, ZCF through its subsidiaries will be specialized in a few enterprises of choice depending on comparative and competitive advantage of each area.
- ▶ We will participate at each level of the value chain i.e. production warehousing and storage primary processing marketing secondary procession and retailing

THE COOPERATIVE RECAPITALIZATION FUND (CRF) (How all this will be financed)

- ▶ The Cooperative Recapitalization Fund calls for contributions of fifty thousand kwacha ZMK 50,000 or US\$ 10 from each of the more than 4 million members for three (3) consecutive years starting from 2011. The assumption is that if all members contributed to this fund by end of 3 years the fund can stand at ZMK 600 billion which translates into US\$ 120 million.
- ▶ The funds collected will be administered and re-channelled to the Co-operative movement in two (2) ways i.e. as grants and loans

Phase 1 – Grants

- ▶ In order to build the capacity of Primary Co-operative support institutions i.e. the apex and affiliate unions, grants will be disbursed to these structures as an initial investment strategy.
- ▶ The grants are meant to build the operational capacity in the whole structure so that members can start receiving services from their organisation.

Phase 2 – Loans

- ▶ The loans will be administered under a **Revolving Fund** mechanism. The loans will be open to all levels of the movement especially the primary societies and its members.
- ▶ The loans given will attract interest rates below the bank lending rates in order to keep the fund running.
- ▶ Under the Loan scheme programme a simple project concept note will be submitted to the Fund Management Committee (FMC) to request for a consultant to assist in developing a Full-fledged proposal. On submission, these proposals will be subject to further scrutiny and evaluation by the FMC to ensure visibility of the respective businesses in the regions in question. The revolving fund will be held by Cooperative bank as custodians.

NATIONAL BENEFITS

- ▶ The implementation of these programmes will create strong and sustainable enterprises country wide. At provincial level the cooperative movement would have created 9 cooperative enterprises (PCUs), at district level 78 enterprises (DCUs) and also at society level. There would be a creation of more than 20,000 cooperative enterprises throughout the country. With this being achieved obviously the benefits are well known from the economic point of view both social and financial. These benefits won't only accrue to our members but the country as a whole.

SOCIAL BENEFITS

- ▶ **Employment Creation**
- ▶ **Reduction In Rural Urban Migration**
- ▶ **Poverty Alleviation**
- ▶ **HIV/Aids**
- ▶ **Women and youth empowerment**

FINANCIAL BENEFITS

- ▶ **Increase in Tax Revenue collection**
- ▶ – V.A.T
- ▶ – P.A.Y.E
- ▶ **Infrastructure Development**
- ▶ **Balance of trade**
- ▶ – Appreciation of currency
- ▶ – Attainment of Balance of payment

MEMBER BENEFITS

- ▶ **Loans**
- ▶ **Dividends on profits**
- ▶ **Strong and viable enterprise Development**
- ▶ **Easy access to products and services**
- ▶ **Creation of own Bank**
- ▶ **Pride of ownership**

INFORMATION, TRAININGS AND EDUCATION

- ▶ The building blocks for a vibrant cooperative movement are the membership but this membership will not exploit its full potential unless it is empowered with information, skills or knowledge. The Federation has embarked on a vigorous education and training program to build members capacity to embrace the new ways of doing things

CONCLUSION

- ▶ The ultimate goal is to ensure that the cooperative movement exploits its full potential and stimulate development in rural areas and job creation at local level which will also mitigate rural urban migration. We are convinced that the successful implementation of these programs will contribute to the country's poverty alleviation challenge and will enable the country to attain a middle income status within the time frame given in the national development plan.
- ▶ All we are now looking for as a Federation are potential development partners with whom to pursue this ambitious but viable enterprise development program for the good of our nation and its people. This program is a complete transformation of our economy using agriculture and a vibrant network of co-operative enterprises. This is our development dream for Zambia.

**THE END
AND
THANK YOU FOR PAYING ATTENTION**

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