PERSPECTIVES FOR COOPERATIVES IN SOUTHERN AFRICA, CONFERENCE ON 20/21 AUGUST 2012, LUSAKA, PROTEA HOTEL CAIRO RD

PRESENTATION ON INDUSTRIALIZING THE RURAL AREAS
BY
JAMES EMMANUEL CHIRWA
DIRECTOR GENERAL
ZAMBIA COOPERATIVE FEDERATION

20TH AUGUST 2012
# INDUSTRIALIZING THE RURAL AREAS

## Table of Content

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION</td>
<td>2</td>
</tr>
<tr>
<td>JUSTIFICATION AND RATIONALE FOR THE PLAN</td>
<td>3</td>
</tr>
<tr>
<td>COOPERATIVE MOVEMENT - EMERGING AGRI-BUSINESS SCENARIO</td>
<td>4</td>
</tr>
<tr>
<td>INDUSTRIALIZING THE RURAL AREAS</td>
<td>5</td>
</tr>
<tr>
<td>STRATEGIC OBJECTIVES, ACTIONS, INDICATORS AND DRIVERS</td>
<td>6</td>
</tr>
<tr>
<td>THE VALUE CHAIN APPROACH</td>
<td>9</td>
</tr>
<tr>
<td>THE COOPERATIVE RECAPITALIZATION FUND (CRF).</td>
<td>11</td>
</tr>
<tr>
<td>BACKGROUND</td>
<td>12</td>
</tr>
<tr>
<td>A BASE LINE STUDY OF PRIMARY COOPERATIVES SOCIETIES</td>
<td>12</td>
</tr>
<tr>
<td>GENERAL MANAGERS MEETING</td>
<td>12</td>
</tr>
<tr>
<td>WHAT IS THE COOPERATIVE RECAPITALIZATION FUND PROGRAMME (CRF)?</td>
<td>13</td>
</tr>
<tr>
<td>OBJECTIVES OF THE PROGRAMME</td>
<td>13</td>
</tr>
<tr>
<td>PHASE 1 – GRANTS</td>
<td>14</td>
</tr>
<tr>
<td>PHASE 2 – LOANS</td>
<td>15</td>
</tr>
<tr>
<td>BENEFITS</td>
<td>16</td>
</tr>
<tr>
<td>NATIONAL BENEFITS</td>
<td>16</td>
</tr>
<tr>
<td>SOCIAL BENEFITS</td>
<td>16</td>
</tr>
<tr>
<td>ECONOMIC BENEFITS</td>
<td>17</td>
</tr>
<tr>
<td>MEMBER’S BENEFITS</td>
<td>18</td>
</tr>
<tr>
<td>INFORMATION, TRAININGS AND EDUCATION</td>
<td>19</td>
</tr>
<tr>
<td>CONCLUSION</td>
<td>19</td>
</tr>
</tbody>
</table>
INDUSTRIALIZING THE RURAL AREAS

INTRODUCTION

Zambia is a resource-rich country with a large reserve of natural wealth; land, water, human resources, climate, forests, fisheries and minerals. The land resources remain largely under-utilized, while the broader population continues to hover in poverty.

The main effects of past policies in agriculture are highlighted below:

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

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 agriculture sector requires an urgent injection doses of innovative policies and legal reforms that shall ensure predictability and transparency and allow for increased public sector investments in rural infrastructure so as to inspire increased private sector investments in the agri-business value chain to link producers and markets. The few reforms implemented so far in this area have encouraged the various private sector players, including the Zambia Cooperative Federation Ltd to start repositioning themselves in the market.

The ZCF Plan and strategies is to commercialize rural farming into profitable and market linked business enterprises for smallholder farmers through the cooperative movement. 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.
INDUSTRIALIZING THE RURAL AREAS

JUSTIFICATION AND RATIONALE FOR THE PLAN

Minerals and especially copper have dominated Zambia’s sources of national income since pre-colonial times, but given its rich resource base and strategic location, a sustainable future lies in agriculture. Zambia can rise to among the world’s leading producers of maize, groundnuts, beans, sugar, cotton, livestock including finished products from these commodities through value addition given the right policies, strategies and support institutions. The agricultural sector has consistently contributed over 15% to the GDP but this can rise to over 70% even with rising copper output and prices.

High dependence on mineral income has stifled agriculture sector innovation and diversification due to over use of maize subsidies. The greatest challenges in Zambian agriculture today are low productivity and competitiveness. As a land rich country, with sparse population, the farmers often resort to expansion of land rather than productivity to raise production. Yields have remained static for the past decades due to low application of technology and diminished access to markets. The potential for agriculture sector growth can be illustrated with some of the facts below:

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

WITH IMPROVED POLICIES, LEGISLATION AND INSTITUTIONS, ZAMBIA WILL BEGIN TO FIND ITS POSITION ON THE GLOBAL MARKET WITH RISING TRENDS IN THE PRODUCTION AND TRADE IN SUGAR, WHEAT, COTTON, LIVESTOCK, FISHERIES
INDUSTRIALIZING THE RURAL AREAS

AND GAME RANCHING. MUCH OF THIS GROWTH IS ALIGNED TO INNOVATIVE PRIVATE SECTOR BASED INVESTMENTS WHERE ACCESS TO UNHINDERED MARKETS HAS BEEN ATTAINED. THE SMALLHOLDER SECTOR HAS PROVED THAT THEY CAN PARTNER WITH THE COMMERCIAL SECTOR GIVEN THE RIGHT INCENTIVES AND OPPORTUNITIES – EXTENSION, 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 sector is withdrawing from engaging in production and business to focus on providing a conducive and enabling policy environment, public infrastructure and public services and in reaction the private sector is beginning to take the driving seat in agriculture production and provision of integrated agri-business services. The cooperative movement is being recognised as a vital cog in the private sector and a key link between the smallholder farming community and agri-business, mobilising and connecting this group of farm producers to traders and processors in the value chains (Figure 1).

FIGURE 1: ROLE OF COOPERATIVE MOVEMENT IN THE AGRICULTURE SECTOR LINKAGES
The cooperative movement is well positioned to link the public, private sector and sustainable markets to the farming community, tapping on farmer’s skills as producers and mediators of agri-business services to their enterprises. The Zambia Cooperative Federation Limited, being the legally mandated apex institution for all cooperatives is leading the process of re-awakening the cooperative movement to claim its deserved role as a key driver of agri-business activities in Zambia, alongside and in partnership with other players.

The movement is backed by a solid legal foundation through the Cooperatives Act and the National Cooperative Development Policy, has a mass membership base of over 3.5 million loyal members, geographically spread all over the country, and many of the structures skills and experience in retailing, agro-shops, milling and warehousing.

The structures, and infrastructure remain intact and the capital mobilization ability remains unsurpassed. The movement provides the most viable outreach vehicle for the economic and social empowerment of women and youth in rural areas.

And there are great opportunities in the external environment; free market enterprise and liberalization, booming national economy, solid legislative foundation (Agricultural Marketing Act and Credit Act), opening of regional trade corridors, farm blocks and multi-facility economic zones (MFEZ), roll out and possibility of contracts under the GRZ E-Voucher Scheme and Strategic Food Reserves management, increased number of input suppliers (seed, fertilizer, chemicals) on the market, availability of idle FRA storage facilities and increased Out-grower schemes and contract farming processes.

Armed with a Strategic Business Plan which builds on the movement’s strengths and opportunities ZCF has outlined a future of viability and commercializing Primary Cooperative enterprises. The Strategic Plan provides a general framework for future planning with a vision, mission and goal as described below.

1. **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
INDUSTRIALIZING THE RURAL AREAS

2. **Mission:** Become the main reference point for transforming Zambia’s agriculture from dependency to self-sufficiency and competitiveness.

3. **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.

ZCF is slowly but steadily transforming itself into a corporate entity of high integrity, uprightness and compliant to prudent management practices for effective service delivery of commercial agri-business services to smallholders. The principles upon which ZCF’s operations are based include ethics, professionalism, excellence, teamwork, innovation and a focus on a broad-based wealth creation. In this regard, the main objectives of ZCF as a mass economic empowerment organization for the next five years shall be:

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

STRATEGIC OBJECTIVES, ACTIONS, INDICATORS AND DRIVERS

Using the set objectives above the vision, mission and goal of ZCF will be met as follows:

<table>
<thead>
<tr>
<th>TABLE 4: ACTIONS AND DRIVERS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actions</strong></td>
</tr>
<tr>
<td>1. <strong>To assume and sustain commercial agribusiness market share leadership.</strong></td>
</tr>
<tr>
<td>1.1 Expand Agri-Marketing capacity for commodities</td>
</tr>
<tr>
<td>1.2 Expand Agri-Input Trading Capacity</td>
</tr>
<tr>
<td>1.3 Expand Infrastructure capacity</td>
</tr>
<tr>
<td>1.4 Expand Transport and Mechanization Services capacity</td>
</tr>
<tr>
<td>1.5 Expand Agri-Processing capacity:</td>
</tr>
<tr>
<td>1.6 Develop a quality assurance capacity</td>
</tr>
<tr>
<td>1.7 Establish a Commodity Exchange platform</td>
</tr>
<tr>
<td>2. <strong>To build a strong outreach capacity for cooperatives and farming communities.</strong></td>
</tr>
<tr>
<td>2.1 Develop and roll out a Capacity Building Plan</td>
</tr>
<tr>
<td>2.2 Organise National Cooperatives Revival Conference</td>
</tr>
<tr>
<td>2.3 Develop an out-grower programme</td>
</tr>
<tr>
<td>2.4 Develop an Extension and Outreach capacity</td>
</tr>
<tr>
<td>3. <strong>To mobilise and efficiently allocate, manage and utilize company resources</strong></td>
</tr>
</tbody>
</table>
### INDUSTRIALIZING THE RURAL AREAS

| 3.1 Develop and Implement the Business Plan | Director of Administration |
| 3.2 Mobilise investment and operational funds | |
| 3.3 Develop an organisational structure | |
| 3.4 Build a strong management team | |
| 3.5 Establish an Accounting Capacity | |
| 3.6 Establish Procurement Capacity | |
| 3.7 Establish IT capacity | |
| 3.8 Establish a Staff Recruitment, Remuneration and Management system | |
| 3.9 Establish a Legal Capacity | |
| 3.10 Establish an Internal Audit Capacity | |
| 3.11 Staff Training Policy and Plan developed | |
| 3.12 Establish a Public Relations Capacity | |

**4. To provide improved financial services to cooperative members**

| 4.1 Revive the Cooperative Bank of Zambia (CBZ): | Director of Financial Services |
| 4.2 Establish links with external financiers | |
| 4.3 Establish an Agri-Insurance Platform | |

The Plan is that in the next five years the federation shall allow reforms to happen at the Apex, Unions, Primary Co-operative Society level so as to make all levels become commercially viable entities providing services to Co-operative members throughout the country and beyond, and supplying commodities and services to industrial and commercial buyers such as processors, supermarkets, hotels, schools, hospitals and foreign markets.

The key business strategy will involve ZCF positioning itself within the agri-business value chains in Zambia and will increase its competitive advantage by linking producers cooperative to processing, marketing, storage and warehousing, trading and retailing and export services.

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 to reduce on transport cost of raw materials and the creation on employment with the production areas.

ZCF will work with PCSs as independent entities to manage the biggest network of agro-dealer shops to provide the back-bone for input supply and commodity trade system in Zambia.
INDUSTRIALIZING THE RURAL AREAS

Contract farming and outgrower schemes shall be used as entry points for interacting with and providing agro-support services to farmers. ZCF will develop an electronic database of all PCSs and their individual members. Each member shall be assigned a Unique Identification Number (UIN) and membership card that will be required in order to access any services including loans.

As an important element of agricultural risk management, agri-insurance shall become embedded in all ZCF dealings with PCSs and their members. ZCF will utilise smart partnerships with public and other private sector service providers to leverage resources, technology, knowledge and skills. The movement will develop its own trademark and brands to help identify the cooperative movement’s products with their uniqueness as locally made and ensure value for money.

ZCF shall concentrate on viable business activities, carefully scrutinized and diversified and within the capacity of the members. ZCF will aim to penetrate the market against all odds and challenges. ZCF will target to promote a diversity of crop, livestock and fisheries enterprises based on comparative and competitive advantage in each district or province. ZCF will in the next five years, aim to raise its market share to at least 50%.

The main corporate components of a rebranded ZCF include ZCF Commercial services, ZCF development services, ZCF Financial services and Administration these enterprises will help the Federation set up value addition processing plants across the country.

Business model to support the industrialization of the Zambian Cooperative Movement

---

**Annual General Meeting**

**Board of Directors**

**Director General’s Office**

**ZCF Commercial Services**
1. Agri-Marketing
2. Commodity Exchange
3. Agri-Input Trading
4. Infrastructure
5. Transport and Mechanization
6. Agri-Processing
7. Retail Trade Centres
8. Quality Control Laboratory

**ZCF Financial Services**
1. Cooperative Bank
2. Insurance
3. Savings and Credit Schemes
4. External resource mobilisation

**ZCF Development Services**
1. Capacity Building and training
2. Business Development
3. Extension and Outreach
4. Registration and Database

**ZCF Administrative**
1. Accounts
2. Procurement
3. IT
4. Personnel
5. Legal
6. Internal audit
7. Public Relations
THE VALUE CHAIN APPROACH
ZCF will adopt a market focused collaboration and promotion of trade between and among PCSs and ZCF structures and with external players will form the core of the 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.

ROLE OF ZCF IN THE VALUE CHAINS

Value Chain Dimensions and the role of Cooperative Tiers

Institutional Environment (laws and regulations)

Financial and Information Flows

Production Inputs -> Storage and warehousing -> Primary Processing -> Marketing and Trade -> Secondary Processing -> Retailing

Physical Flows

Cooperative Support Services

PCS -> District -> Province
INDUSTRIALIZING THE RURAL AREAS

This collaboration will work through the value chain, linking cooperative farmers with processors and marketers; different business enterprises working together to produce and market products and services in an effective and efficient vertical alliance of enterprises, i.e. collaborating to achieve a more rewarding position in the market by connecting from the production process, through transportation, storage, processing, marketing and trade, retailing into the final marketing stages. The alliance means that ZCF will become interdependent with PCSs though they will remain legally independent operations. It shall be the aim of ZCF to establish in the most economically rational and democratically feasible manner, a cooperative business structure in each district and province, built on standard business ethics and principles. The PCSs shall engage in what is economically viable at their level without interference but with interventions where necessary from ZCF. But ZCF will remain obliged to build business and institutional capacity at all levels.

THE ROLE OF ZCF AND PCS IN THE VALUE CHAIN

<table>
<thead>
<tr>
<th>Agri-Business Mandate Area and Value Chain Placement</th>
<th>Tier level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ZCF TD</td>
</tr>
<tr>
<td>1. Production Inputs</td>
<td></td>
</tr>
<tr>
<td>Sale of inputs (seed, chemicals, fertilizer, implements, hardware, stock feed)</td>
<td>√</td>
</tr>
<tr>
<td>E-voucher and subsidy management Agency</td>
<td>√</td>
</tr>
<tr>
<td>Sale of equipment and machinery</td>
<td>√</td>
</tr>
<tr>
<td>2. Storage and Warehousing</td>
<td></td>
</tr>
<tr>
<td>Storage</td>
<td>√</td>
</tr>
<tr>
<td>Warehousing</td>
<td>√</td>
</tr>
<tr>
<td>Food reserve agency</td>
<td>√</td>
</tr>
<tr>
<td>Commodity exchange</td>
<td>√</td>
</tr>
<tr>
<td>3. Primary Processing</td>
<td></td>
</tr>
<tr>
<td>Cereal milling</td>
<td>√</td>
</tr>
<tr>
<td>Oil crushing</td>
<td>√</td>
</tr>
<tr>
<td>4. Marketing and Trading</td>
<td></td>
</tr>
<tr>
<td>Purchasing of commodities</td>
<td>√</td>
</tr>
<tr>
<td>Export of Commodities</td>
<td>√</td>
</tr>
<tr>
<td>Transportation</td>
<td>√</td>
</tr>
<tr>
<td>General Retailing</td>
<td>√</td>
</tr>
<tr>
<td>5. Secondary Processing</td>
<td></td>
</tr>
<tr>
<td>Food Processing and milling</td>
<td>√</td>
</tr>
</tbody>
</table>
INDUSTRIALIZING THE RURAL AREAS

| Large scale processing - milling, stock feed, food products, oil crushing, ginning | ✓ |

6. Tertiary Services

| Savings and Credit Schemes | ✓ ✓ |
| Loan Financing and Insurance services | ✓ ✓ |
| Extension, Training and Capacity building | ✓ ✓ |
| Cooperative Banking | ✓ |

Given its strengths and opportunities, ZCF will cultivate its new corporate mandate to remain at the core of agri-business development in Zambia, by connecting Zambian producers to markets in the agri-business value chains.

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

Background

The liberation of the Zambian economy in 1991 brought with it a number of challenges for the cooperative movement coupled with the strained relations with the then government the result was unprecedented closures of most cooperative enterprises. There was a complete change of policy and the partnership that subsisted between government and the cooperative movement was severed. The vacuum which was left by the cooperative movement in the agriculture sector was to be filled by new inexperienced players who did more harm to Cooperative members than good especially in the area of crop marketing.

After its near collapse the movement has faced a number of challenges among them is access to financial services which has resulted into minimal or no investment capital to revive itself. As it is well known, the survival of any company lies in its owners and from this knowledge or concept, management at ZCF realized that the resuscitation of the entire movement depended on its members as the owners of the institution. It was after this understanding that the Capital formation program for the cooperative movement was arrived at.

In order to have a better understanding of the status of Co-operatives and its membership in Zambia for the purpose of implementing the Capital formation programme in 2010 the following two 2 activities were undertaken.
INDUSTRIALIZING THE RURAL AREAS

(a) A Base line study of Primary Cooperatives Societies?

The study tool was in a form of a questionnaire which was sent to members at primary level through the respective provincial and district unions. This document was enquiring about the following information from each District Cooperative Union.

- Name, number of primary cooperative societies in the respective district
- The business and operational status of the Co-operative enterprises in that district.
- Names and number of individual members in each of members in each Primary Cooperative Societies including NRC, and cell number where possible.
- Individual Business engagement.

The aim of the survey was to first understand the status of the organisations economically as whereas the individual member, verification of members in numbers, Identify areas of need or intervention so as to understand the way forward for the betterment of the cooperative member’s life and also create an authenticated data base of the membership.

Due to lack of understanding and appreciation of the exercise’s intentions especially that a lot of these studies had already been undertaken and had yielded no positive results, the feedback was rather slow from the provinces initially. However the situation has since change because members are been sensitized on the importance of the process which has lead to the Federation receiving a good number of completed baseline forms confirming the membership.

(b) The General Managers Meeting

To ensure that our members fully understood the urgency and importance of this information a meeting for provincial general managers was held on 26th November 2010. The agenda for the meeting was simply.

- To explain why the questionnaire was important and why it was urgently needed
- To share the intention and vision of the recapitalization program and also get contributions and feedback on the programme from provincial management from the onset, while cultivating and generating a spirit of ownership among the managers so that in turn they could disseminate information on the Capital Formation Programme
INDUSTRIALIZING THE RURAL AREAS

to the district managers and general members in their respective districts the programme in time evolved to the Cooperative Recapitalization Fund Programme (CRF)

WHAT IS THE COOPERATIVE RECAPITALIZATION FUND PROGRAMME (CRF)?

Statistics at the Registrar of Cooperatives show that there are over 28,000 primary Cooperative Societies registered with over 3,500,000 individual members.

Realizing the strength of the Co-operatives movement in terms of numbers the Federation decided to create a self-recapitalization programme through members contributions called the Co-operative Recapitalization Fund (CRF) this was upon realizing that the fragmentation of the cooperative movement in Zambia had brought with it a number of challenges, the major one been access to financial services for investment and recapitalization.

To counter this challenge the Federation has came up with this initiative of creating a fund for the purpose of recapitalizing the Co-operative Movement which will recapitalize the entire Zambian Co-operative Movement

This program engages the members who are estimated at 3.5 million plus (active and non-active) as a source of creating this fund.

The Cooperative Recapitalization Fund calls for contributions of fifty thousand kwacha ZMK 50,000 or US$ 10 for by each member for three (3) years consecutive starting with 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.

WHAT ARE THE OBJECTIVES OF THE PROGRAMME?

The programme objectives are:

1. To mobilize investment funds from members who are owners and users of Co-operatives Movement.

2. To reinvest resources raised through this programmes at primary level in order to improve their business, performance and efficiency and strengthen their business
INDUSTRIALIZING THE RURAL AREAS

and management capacity for their empowerment as a means of increased earnings, job creation and poverty reduction.

3. To improve the capacity of primary cooperatives through support institutions i.e. Unions so that they can provide an efficient and effective service to the members.

4. To assist the federation in acquiring the technical capacity and political clout to effectively incorporate the cooperative approach as a key element into the national, regional, continental, international programmes and strategies.

The funds collected will be administered and re-channeled 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 capacity in the support institutions so that they can start offering services to the primary societies.

Administering Grants

For each union or tier system to receive a grant it will be required to develop a business plan showing two critical elements

1. The Proposals will have to show clearly how the unions intend to use the project benefit the lower organs or how it will ensure that benefits services trickle down to society level and for member benefit and empowerment see example below

Example

If a union identifies that the province or district has potential to rear dairy animals for milk or other milk products the union can apply to the fund to have a dairy processing plant created in the province or district.
INDUSTRIALIZING THE RURAL AREAS

By having is central plant means that the project has to finance local refrigerated collection centers, which will create jobs for young people, the project will also have to cater for animal restocking at individual household or farmer level this will bring more income to the farmer through the sale of milk to his or her own plant which at the end of the financial will declare a profit or dividend to be shared among the owners who are the Co-operators themselves.

The projects will also bring closer to members extension services like trainings in animal husbandry, quality control measures, market access, business management, accounting or any other training that is required for a farmer in engage in a profitable dairy farming business at rural level. This project will also bring closer to members services like vet services, agrivet shops or community dipping services the project has the potential to introduce new farming methods among communities.

Infrastructure development

As we implement these capital projects Infrastructure development will be a very critical component under the Federation's development agenda for rural areas. The Federation will promote land acquisitions among local Primary Cooperatives Societies; land to be owned by the community, this is where construction of storage facilities, trading or value addition machinery, dip tanks, collection centers can be installed or created.

2. The projects should also show clearly how the cooperative principles and values will be achieved in the project.

The proposal will be submitted to the Fund Management Committee for evaluation and approval for funding. Having in mind the fact that most of these institutions are riddled with debts operational grants shall not be in form of cash but in form of stocks or equipment that are spelt out in the respective business proposals.

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 sustain it as a revolving fund keep the fund running and growing it.
INDUSTRIALIZING THE RURAL AREAS

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 areas or regions in question. The revolving fund will be held by Cooperative bank as custodians.

BENEFITS

Benefits have been categorized in four forms;

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 30,000 cooperative enterprises throughout the country. With this being achieved it’s obviously the benefits are well known from the social to the economic part. These benefits won’t only be accrued by our members but the general public at large and the country through employment creation, poverty reduction, reduce urban migration and increase revenue collection by government.

SOCIAL BENEFITS

(a) Employment Creation

These cooperative enterprises from the Apex (subsidiaries), to provincial and district levels would solve the issue of un-employment. Statistics of 1989 show that the Eastern Province Cooperative Union had 6,000 employees i.e. permanent and seasonal, from these statistic we can be looking in the ranges of between 8,000 to 12,000 people to be employed in each province giving an average of 90,000 people to be in employment in the 3 year period and will translate into close to one million people benefiting from this enterprise program, based on the fact that an average Zambian family constitute average of 10 people being supported by one employed person.

(b) Reduction In Rural Urban Migration

There will be a stop to urban migration because people who move to cities with desperate hopes of finding a job, would have been employed in their respect districts and that there will be economic activities which will provide ready market for income generating activities
INDUSTRIALIZING THE RURAL AREAS

like agriculture and others. This entails that the rural community will employ themselves by engaging in these activities. This in our view is the only way to equitably develop the country. Currently development is concentrated along the line of rail while rural areas have not received adequate attention in terms of development.

(c) Poverty Alleviation

Many people will be in employment and also involved in income generating ventures thereby, improving buying power of individuals. Increase in production at community level will lead to price reduction in most consumer goods, and this if you like will realize the “more money in the pocket” slogan championed by His Excellency the President.

(d) HIV/Aids

It is a well known factor that the prevalence rates for HIV/Aids are higher in countries whose poverty levels are high, this entails that there is a positive coloration between poverty and HIV/Aids. Having created the desired level of employment and other economic activities, disposable income of the people will increase. The trickle down effect shall be reduction in the HIV/Aids because people will be able to afford a good diet. Furthermore, it is one of the cross cutting issues affecting the movement. Measures to help in the fight have begun with sensitization messages which will be put in every cooperative news magazine publication.

(e) Youth and gender development

The movement is aware that 60% of the Zambian population is comprised of youths. The movement is already making programs that will encourage youths to be involved in cooperative entrepreneurship a measure aimed at encouraging youths to direct their energies into productive activities and avoid vices such as drug abuse, crime and others. ZCF in its programs has also integrated women with an understanding that when a woman is empowered then you have empowered the whole household. Women will be encouraged to form viable cooperatives as a means of empowering this category and their respective households.

ECONOMIC BENEFITS

(i) Increase in Tax Revenue collection

This growth in cooperative enterprises will result in increased revenue collection by ZRA in form Company tax, VAT and PAYE which will be collected from these enterprises and
employees thereby increasing the tax base as these individual companies plus their employees would be potential tax payers. The tax revenue will come in two aspects;

(a) **V.A.T** - ZRA will have an increase in VAT revenues with the improved peoples' buying power and respective company in their trading activities

(b) **P.A.Y.E** – ZRA will have an increase in PAYE contributions because of the many people who will be employed in various cooperative enterprises to be created by the movement through its programs.

(ii) **Infrastructure Development**

As it has been shown in the fund concept, part of it will go in the building of Silos, warehouses and rehabilitation of broken down warehouses, and other storage facilities for all agricultural produce and other trade items at national level. Doing so will reduce the level of wastage and losses in any form that are currently being experienced.

(iii) **Balance of trade**

As you know our country mainly depends on importation of finished goods from other countries and has a very insignificant statistics of finished goods from local factories but this would change with the creation of the said enterprises and Zambia will emerge as an exporter of finished goods in masses. This will result in the country achieving a balance of trade scenario. This would benefit the nation in terms of;

(a) **Appreciation of currency** – this will come in effect because currently the position being experienced is that the country is spending more money on imports than it is earning on exports. This growth will therefore produce opposite results of having more exports than imports the result of which will be the appreciation of our nation’s currency, the kwacha.

(b) **Attainment of Balance of payment** – this would improve the countries balance of payment in that receipts can be matched to payments.

With all mentioned above coming into effect, the resultant would be an increase in the nations Gross Domestic Product and enable the country to achieve our millennium Development Goals and the 2030 Vision.
INDUSTRIALIZING THE RURAL AREAS

MEMBER BENEFITS

Some would ask that what are the direct benefits which a contributing member would receive?

The following are the benefits;

1. Employment – most of our members or their off springs would find employment in the many newly created enterprises.

2. Loans – Members will be eligible to access loans at low interest rates compared to the commercial lending rates.

3. Self Empowerment – Due to the increased access to loans and markets, our members will be empowered to start managing their smallholdings as businesses ventures.

4. Easy access to products and services – the created enterprises will form a network of rural trade centers mean products and services will be brought close to the members.

5. Creation of own Bank – the program aims at creating conditions for the reopening of the members bank which will the custodians of the CRF, a bank owned and controlled by members.

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 direction pursued by the Federation which is to industrialize rural areas.

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 the countries attainment of a middle income status by 2030. 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
INDUSTRIALIZING THE RURAL AREAS

transformation of our economy using agriculture and a vibrant network of co-operative enterprises. This is our development dream for Zambia.

Thank you.