# The Provision of Agricultural Services Through Self-Help in Sub-Saharan Africa: Zimbabwe Case Study

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### Abbreviations

AFC Agricultural Finance Corporation

AGRITEX Agricultural and Technical Extension Service ARDA Agriculture and Rural Development Agency

CCZ Cotton Company of Zimbabwe
CFU Commercial Farmers Union
CMB Cotton Marketing Board
DMB Dairy Marketing Board

ENDA Environment and Development Activities
ESAP Economic Structural Adjustment Programme

EU European Union

FAO Food and Agricultural Organisation

FARMESA Farm-level Applied Research Methods in East and Southern Africa

FDT Farmers Development Trust FES Friedrich Ebert Foundation GDP Gross Domestic Product GMB Grain Marketing Board

GTZ German Agency for Technical Co-operation
IDA International Development Administration
IFAD International Fund for Agricultural Development
ITDG Intermediate Technology Development Group

MCCWA Ministry of Community and Co-operative Development and Women's

Affairs

NANGO National Association of Non-Government Organisations

NGO Non Government Organisation

NOVIB

NR I-V Natural Regions I-V

OCCZIM Organisation of Collective Co-operatives in Zimbabwe

ODA Overseas Development Administration

ODI Overseas Development Institute

**SADCC** 

SDF Self-Help Development Foundation

USAID US Agency for International Development

ZFC Zimbabwe Farmers Co-operative

ZFU Zimbabwe Farmers Union

### Exchange rates (April 1996)

Zimbabwean Dollar 9.3 = US\$ 1 Zimbabwean Dollar 14.6 = UK £ 1

### **Executive Summary**

- 1. This study was undertaken in April 1996 jointly by NRI and the Plunkett Foundation and is the last of four country case studies involving Ghana, Uganda, Mali and Zimbabwe.
- 2. During field work government staff and representatives from the official aid programmes, the NGOs and the private sector were interviewed as well as members of groups identified for case study work. Contacts were made with the Zimbabwean Farmers Union and the Co-operative Movement both at national and provincial level.
- 3. Since 1990 the Economic Structural Adjustment Programme has led to a number of significant policy changes in the agricultural sector. However the implementation of a liberalisation strategy by the Zimbabwean government has proceeded more gradually than in other countries in the region. This may have slowed down the development of private sector alternatives to government service provision.
- 4. During field work it became very clear that many people across the agricultural sector feel that co-operatives have failed. Even the government's attitude is now purely pragmatic and it has made it clear that it will not continue subsidising loss making co-operatives.
- 5. Given this background, despite wide consultation, little evidence was available to suggest that there are many viable farmer controlled co-operatives in Zimbabwe (with the important exception of co-operatives registered under the Companies Act which are run by commercial farmers) or that major donors are continuing to support the co-operative movement.
- 6. The apparent absence of viable formal co-operatives in Zimbabwe, especially at the primary level, had an impact on field work. Groups identified for case study work tended to be less formal and, because their operations were much more limited and they were not trading in their own right, they did not have written records or bank accounts.
- 7. A major finding of the research was the extent to which linkage arrangements between the private sector and farmer groups are widely supported by a range of interests across the sector. Support for this approach has been expressed from within government (and in the field AGRITEX staff provide practical support), by the Zimbabwean Farmers Union, by a number of donors and NGOs and by players within the private sector itself.
- 8. The apparent potential for the development of these relationships is in part due to the dualistic nature of Zimbabwean agriculture which creates possibilities for commercial farms to operate as procurement centres for outlying smallholders (for example for the supply of vegetables) and to the relatively well developed agroindustrial sector in the country. This has relied in the past on either the state marketing system or commercial farmers for raw material supply but is now interested

- to draw in the small-scale farmers, especially for the supply of lower value commodities which are becoming less attractive to commercial farmers.
- 9. During fieldwork the research found examples of linkage arrangements between groups of farmers and private companies that were entirely the initiative of the private company itself and others where an NGO had acted as an intermediary between the farmers' group and the company.
- 10. Services provided through these arrangements varied. Some companies restricted their operations to procurement whilst others were involved in pre-financing producers and even providing training. The motivation behind these initiatives ranges from the strictly commercial (smallholders produce more cheaply or at higher quality) to the developmental (the need to create a more inclusive commercial agricultural sector).
- 11. The role of groups also varied. Where input distribution or the bulking up of a commodity for procurement was required by the company, groups played an important role. Additionally, group guarantees were used for pre-financing by the Cotton Company of Zimbabwe. In other examples, groups were not important and in one case the commercial company did not encourage them at all. The role of groups in representing their members' joint interests to the buyers, or even in negotiating prices, was less evident.
- 12. The research suggested that NGOs have to date been far more proactive in establishing linkage arrangements than the official donors. Participatory methodologies used by these NGOs have increased client influence in the design of many NGO projects and research indicates that access to markets is identified by smallholders as a priority need. In addition among many NGOs a more commercial orientation has resulted from a growing interest in rural enterprise as an alternative income source for agricultural producers in marginal areas.
- 13. Another feature of the NGO initiatives has been the emphasis attached to community mobilisation, training and self reliance. This is in contrast to some of the official donor initiatives which have imposed organisational structures on groups of farmers who do not have the capacity or experience to operate them effectively.
- 14. The growing importance of linkage groups and the experience analysed suggest that there are a number of roles that policy makers and donors can play in assisting this process.
- (a) Government and donors should give proper emphasis to marketing issues, including developing linkage arrangements, in all their agricultural programmes, especially those involving the training of front-line extension staff. AGRITEX is already playing an important role in fostering links in some situations but there is a need to formalise this approach and provide appropriate training to staff.
- (b) However efforts by policy makers to replicate approaches developed by NGOs within government institutions may require institutional change, not simply the

retraining of individuals already in post. The emphasis attached by ITDG to marketing issues was set within the context of an approach which was participatory and client driven. The difficulty of transferring such an approach to a large organisation, for example a government department, with well established procedures and operational modalities cannot be underestimated.

- (c) If AGRITEX extends its role in terms of marketing support, it will produce benefits for producers and traders/processors. Mechanisms to recover some part of these benefits should be considered by policy makers.
- (d) The issue of equity in farmer group/private company relationships is crucial to successful development. This is a highly sensitive issue and potential investors could easily be put off working with farmers if they felt government was likely to try and regulate the prices paid to producers. On the other hand, government and donors cannot provide official support to forms of development which do not give proper attention to the interests of all concerned.
- (e) Research may be needed on whether legal provision exists for registering farmer groups and associations which are not co-operatives but require some alternative legal identity in order to be granted access to loans.
- (f) Financing issues are likely to play a major role in determining the success of some linkage arrangements, especially those involving higher value products which require significant purchased inputs. Research is recommended on developing sustainable financing systems involving producers, a lending organisation and a buyer.
- (g) Direct support to commercial interests committed to working with smallholders could be facilitated through the establishment of a venture capital fund or through involving them more actively in setting priorities for national agricultural research and extension programmes. However arguments against the use of public resources for these sorts of activities should be carefully considered.
- (h) Indirect support to commercial interests could be facilitated by improving rural infrastructure, especially the transport network, which acts as a major disincentive to many buyers.

### Introduction

This is the last of four country case studies (Ghana, Uganda, Mali and Zimbabwe) on the role of farmer groups and enterprises in the provision of agricultural services in liberalised economies of Sub Saharan Africa. The research was commissioned by the Policy Research Programme of the Overseas Development Administration.

Under liberalisation, as the direct role of government is reduced, new institutional arrangements are required to fill the gap created by the state's withdrawal from direct service provision, and the research is concerned with assessing the potential for cooperative action by farmers to meet this challenge. In terms of agricultural services, the main focus of the research has been marketing and input supply, including the provision of financial services although some processing activities have also been included.

The approach adopted in each country case study has been to briefly assess recent developments in the agricultural sector and the state of agricultural service provision and then to examine the role of groups within this. Attention is also given to the role of donors in supporting groups and agricultural services. The information gathered is used to identify and research examples of individual groups where group action appears to be successful. In a final report when the case studies have been completed, the authors will draw out the lessons and identify ways in which policy makers and donors can assist the process of sustainable farmer enterprise development through self-help.

Country case study work in Ghana and Uganda, which was completed before the Zimbabwe visit (the Mali work was conducted almost simultaneously with the Zimbabwe study), provided much evidence to support the hypotheses which were developed as a result of earlier desk research (see Appendix 1 for a list of these hypotheses) concerning the features of successful group organisation and types of activity they are associated with. On issues relating to the role of donors, there was plenty of evidence from the experiences of both official donors and NGOs to support the hypothesis that supply driven programmes can undermine rather than foster the establishment of sustainable and dynamic farmer organisations.

The Ghana and Uganda research also highlighted other issues with relevance to the research theme that were not included among the original hypotheses. These were (a) the potential significance of links between private traders, processors and banks in facilitating the integration of smallholders into the wider economy and the role groups can play in this process; (b) the degree to which these relationships are equitable and the scope for external agents to ensure that they are; (c) evidence that successful group enterprise appears to be closely related to the ability of the group to insert itself into the mainstream rural economy; and (d) in relation to the formal co-operative movement, whether evidence of a decline in market share is a sign of the movement's failure to compete in the face of private sector competition.

Guided by these previous findings, research in Zimbabwe was undertaken in April by Rachel Stringfellow of NRI and Colin McKone of the Plunkett Foundation. Initial research involved interviews with government representatives, the Zimbabwean Farmers Union and major donors as well as NGOs with relevant programmes in the agricultural sector. It became apparent at an early stage that the kind of private sector linkages observed to a limited degree in the previous case study countries were far more prevalent in Zimbabwe and subsequently they became an important focus within the research.

Finally, it should be noted that Rachel Stringfellow became ill and was not able to participate in the second part of the field work. Inevitably, this had some impact on the team's coverage of case study groups.

### Section 1. Background

### 1.1 Agriculture in Zimbabwe

### 1.1.1 Sectoral overview

Although accounting for only 15% of Zimbabwe's GDP, the agricultural sector plays a central role in Zimbabwe's economy and society, providing employment and livelihood for about 70% of the population, raw materials which form the basis for nearly 60% of manufactured production, and accounting for some 40% of the country's merchandise exports. Except in drought years, Zimbabwe is largely self-sufficient in basic foodstuffs and agricultural raw materials.

Zimbabwe has a total land area of 39 million hectares. Of this total, 33 million is utilised for agricultural production, the remaining 6 million is reserved for National Parks and wildlife. The country is divided into five natural regions corresponding to annual rainfall and dominant farming systems. NR I has average rainfall of 1,050 mm p.a. and supports intensive agriculture and livestock production. NR II has 700-1,060 mm p.a. confined to the summer months and is suitable for intensive farming. NR III has 650-800 mm p.a. with erratic rainfall patterns and seasonal droughts. It is suitable for semi-intensive farming with the dominant crops being maize, cotton and tobacco. NR IV has 450-600 mm p.a. with frequent seasonal droughts. Semi-extensive livestock and fodder and small grain production are the primary agricultural enterprises. NR V has less than 500 mm p.a. falling very erratically and is only suitable for extensive agriculture and livestock ranches. Approximately 80% of arable land is located in the areas with lower agricultural potential (NRs III, IV and V). More than three-quarters of the rural population farm on these lands.

The agricultural economy comprises two major subsectors: the large-scale commercial farmers and the small-scale farmers. The 4,000 large-scale commercial farms are held under freehold title, the farmers are mostly white and they hold 33.4% of total agricultural land in Zimbabwe. The average farm size is 2,200 ha and together they account for 85% of total marketed agricultural output. These farmers produce a broad range of crops and livestock products making extensive use of machinery and other purchased inputs.

The small-scale farming subsector comprises 1.2 million smallholder farm units in the communal lands (with a population of 5.6 million); 56,800 resettlement farms (population 426,000) and 8,500 small scale commercial farms. The communal farmers are grouped in 171 Trust or Communal Lands. Seventy per cent of these farmers are in NRs IV and V. They produce mainly maize (average yield 1-1.5 tonnes/ha) and a limited range of food (small grains, groundnuts, bambara) and cash crops (predominantly maize and cotton, small amounts of sunflower) using family labour and hand implements.

In April 1996 following several years of drought and decline in the agricultural sector, adequate rains (averaging at least 80% of normal rainfall) appeared to offer the

prospect of a good harvest and real sectoral growth of 10% in 1996 (The Herald 18/4/96). Production of maize was expected to rise by about 1.5 million tonnes and cotton to double from 102,000 tonnes in 1995 to 226,000 tonnes (The Herald 15/4/96). A good tobacco harvest was expected as a result of favourable growing conditions coinciding with strong demand for quality flue-cured tobacco. One of the most dynamic subsectors in the agricultural economy, flower and horticulture exports, was expected to maintain annual growth of about 25%. According to the Horticultural Promotion Council, Zimbabwe is now Africa's second largest exporter of flowers and fresh produce and in 1996 the value of exports is expected to reach Z\$1 billion accounting for 3.5% of GDP (The Herald, 25/4/96).

### 1.1.2 Government Policy since Independence

### 1.1.2.1. The 1980s

Following Independence the government actively tried to address the dualistic nature of agricultural development in Zimbabwe by extending to smallholders many agricultural services which had previously benefited only commercial farmers. For example marketing infrastructure and parastatal buying services were extended to communal areas. The number of Grain Marketing Board depots in communal areas rose from 3 in 1980 to 148 by 1985. Government set pan-territorial and pan-seasonal prices above export parity to create incentives to increase production, and farmers in the communal areas were required to sell controlled crops through the GMB depots or via approved and registered buyers. Public sector agricultural research and extension services were re-directed towards the problems of smallholders.

At the centre of government policy was the promotion of hybrid maize which was believed to hold the key to boosting smallholder productivity. This policy required a considerable expansion in seed and fertiliser supply and distribution and was financed through the Small Farm Credit Scheme of the Agricultural Finance Corporation, with support from the World Bank's IDA. Unsecured loans were given out in kind in the form of "crop packs" (seed, fertiliser, chemicals) to be repaid via a "stop order" on payments by the marketing board. The Agricultural Service Co-operatives, which at Independence comprised 343 registered primary societies with a membership of 70,000 communal farmers, was given the main responsibility for input distribution.

These policies led to a dramatic increase in output and marketed surpluses from the smallholder sector and it has been estimated that smallholder production of maize trebled in the decade after independence. Subsequent research has suggested that the beneficiaries of the system were a small group of surplus producing smallholder farmers and that the majority of communal farmers remained net consumers of grain, although they may have benefited through multiplier effects. As the government's policy of higher producer prices led to higher consumer prices, these farmers were taxed rather than assisted by the system. The single marketing system also concentrated the storage and processing of maize in the urban centres, inflating the price eventually paid by rural consumers.

Other weaknesses with these policies emerged. Low repayment rates for agricultural credit undermined the viability of the AFC's Small Farm Credit Scheme. Under the individual liability system the scheme was losing half of its capital stock each year, a completely unsustainable position (Bratton, 1986). Within the co-operative sector, a shortage of trained staff and inadequate storage and transport facilities combined with strong competition from private companies and from the GMB to lead to growing financial difficulties and a declining turnover. ASC's market share for input supply fell to 25% by 1988, a level of turnover inadequate to cover overhead costs.

The GMB itself required massive subsidies to operate its distribution and purchasing network. During the second half of the 1980s, public enterprise losses, which included those of the GMB, accounted for 3-6% of GDP, the equivalent of 8-12% of government expenditure (Conway and Tyler, 1995). This burden on the public finances limited spending in other areas constraining economic growth and was a major reason for the decision by the government of Zimbabwe to implement an Economic Structural Adjustment Programme (ESAP) in 1991.

### 1.1.2.2. The ESAP

Following the economic orthodoxy of the international lending organisations, the ESAP sought to stimulate investment and growth in the Zimbabwean economy through trade liberalisation and domestic deregulation, underpinned by appropriate fiscal and monetary policies. In the agricultural sector, this required the removal of buying monopolies held by the marketing boards in order to allow market forces a greater role in the marketing of agricultural products. Most consumer price controls were lifted as well as the subsidies associated with price controls. Maize meal and bread prices were decontrolled in 1993.

However despite its professed commitment to free market policies, the government has remained a major force in agricultural markets. Budget allocation figures for the first half of the 1990s reveal that subsidies, parastatal losses and other exceptional measures have been the predominant form of government agricultural expenditure. For example the GMB has continued to offer floor prices to maize producers and to operate a substantial Food Reserve of nearly one million tonnes. During the 1990/91 to 1994/95 period, the aggregate losses of the six major agricultural parastatals (the GMB, the Dairy Marketing Board, the Cotton Company, the Cold Storage Commission, the Agricultural Finance Corporation and the Agricultural Rural Development Authority) were equivalent to 44% of the actual expenditures made by the Ministry of Agriculture. The government's widespread provision of "drought packs" to communal farmers following a succession of droughts has maintained the government's role in supplying inputs. The high overall cost of these policies has limited public resources available for research and extension and other services to enhance productivity in agriculture.

Recent policy and structural reforms giving several parastatals significant operational autonomy have led to the restoration of profitability for the Cotton Company of Zimbabwe, the AFC and the DMB. Placing the GMB on a commercial footing has been a longer process because of the political sensitivity of grain marketing, but in

April 1996 the GMB appeared to be operating on commercial lines and was in the process of rationalising its depot network. The government remains committed to the Strategic Food Reserve despite the high cost and it will reimburse the GMB directly for maintaining this and for carrying out any other "social" market functions (e.g. distributing grain in a drought year).

### 1.2 The Provision of Agricultural Services under the ESAP to Smallholders

### 1.2.1 Input supply

As a consequence of government expenditure reductions under ESAP, agribusiness distribution networks developed during the 1980s are breaking down. Credit is much reduced for unsecured borrowers through the AFC (see 1.2.3 below) and the GMB, the co-operative movement and AGRITEX have a much reduced distribution capacity.

However since 1991 the government has been directing substantial amounts of public funds and donor assistance at the smallholder sector through emergency drought relief programmes. Farmers are given drought packs consisting of seed and fertiliser. The first was in 1991 and the following year, following a very severe drought, assistance was provided to 940,000 smallholders with World Bank support. Government assistance continued in 1993 and 1994, despite these being years of relatively good harvests, and in 1995, following another severe drought, government distributed drought relief to between 800,000 and 1 million smallholders, although this time on a loan rather than grant basis.

Whilst acknowledging the political imperatives forcing government to act in the face of an emergency, some donors believe that the government's un-targeted response has undermined the development of private marketing systems for input delivery as well as efforts by the AFC to introduce more discipline into smallholder lending programmes. However the good harvest expected in 1996 will make it very difficult for the government to justify an emergency programme. Smallholders may therefore have to rely increasingly on the private sector.

Over 50% of all agricultural inputs are already purchased directly by farmers from Windmill, ZFC or their major dealerships in Harare or Bulawayo. However fewer than 60 dealers are supplying the country's 1. 2 million smallholders. The need for the private sector to extend its distribution network was acknowledged by one of Windmill Fertiliser's senior managers with responsibility for business in the communal areas. He is aware of communal lands where there are viable business opportunities in which the company could expand its sales to smallholders. What the company lacks is a network of reliable traders to sell to. It is considering plans to train its own agents, perhaps recruiting young agriculture graduates and providing them with the necessary business training. But this approach would still not overcome the main constraint facing new traders - the need to offer Windmill security, conventionally in the form of a bank guarantee. In this context, CARE's AGENT programme, which is discussed in Section 3.2.5, is of considerable relevance.

### 1.2.2 Output marketing

Until the end of 1995, GMB's continuing presence through its depots in the communal areas provided at least some residual state marketing infrastructure, albeit at very high public cost. The decision to implement an extensive programme of depot closures from January 1996, reducing numbers from 74 to 24 (plus 14 seasonal depots), has generated concern about the ability of the private sector to provide at a fair price the services that smallholders need to remain integrated into wider markets. In the absence of such services, some commentators believe there will be a reversion to greater subsistence production, or that government will step back in and directly subsidise the operation of public depots (Brighton Kutyauripo, Economist, GMB, pers.comm.). The ZFU is currently proposing to government that it take over the management of some of the former GMB depots.

The alternative view, which is supported from within the Ministry of Agriculture itself (Takavarasha, 1994), is that public policy should be directed towards encouraging the development of an efficient private trading system where increasingly the actual forces of demand and supply influence production decisions among smallholders. The constraints to this process are not underestimated, particularly the problems of rural transport and access by smallholders and traders to finance, but the starting point is that the previous state system had become unsustainable as well as inefficient, especially in food deficit areas of the country. A return to the old system is not therefore a viable option.

Takavarasha expresses considerable optimism about the potential for direct relationships between farmers and processors and other end users of agricultural commodities, citing the example of the Chibuku Breweries and its purchase of sorghum from smallholders (see Section 4.2). As will become apparent later in this report, Zimbabwe does appear to offer considerable scope for these types of arrangements.

However rapid appraisals of farmers' grain market participation undertaken in February 1996 by NRI/ODI¹ (NRI, 1996) suggest that the pattern of grain and grain product purchases that prevailed in the late 1980s has not much changed. Purchases of grain from informal traders are small, except where deficit areas are close to surplus ones. In deficit areas purchases from the GMB predominate, even though prices on the informal market are lower, suggesting that in these areas little grain is available from informal traders. The authors recommend further research into the constraints facing the development of private trading systems in these areas.

### 1.2.3 Financial services

By 1990, 80% of the AFC's communal farmer portfolio and 68% of its small scale commercial portfolio were in arrears (Takavarasha, 1994). These high default rates created a serious crisis in the AFC, which was reflected in a dwindling number of

<sup>&</sup>lt;sup>1</sup> This was carried out in Mutoko Central Communal Land, Chivi South Central Communal Land and Zimuto Communal Land

borrowers. By 1991/92 the number of borrowers represented only about 5% of the smallholder farmer population.

To bring down costs and improve borrower discipline, the AFC introduced a group lending scheme with the support of the World Bank. Under this scheme funds were on lent to smallholders on a joint liability basis. Group selection criteria included group membership of between 10 and 50 members; the adoption of a constitution; the ability to generate group financial resources; the operation of group activities for input supply and marketing; and the ability to keep records. By 1992/93 the number of groups involved in this programme had reached 246, comprising some 4,000 beneficiaries. Repayment rates were substantially better than for individual loans to smallholder farmers.

In 1993 the AFC introduced a linkage scheme involving NGOs as intermediaries between groups of farmers and financial institutions in providing credit to smallholder farmers. Two models were introduced: the Direct Linkage Model, under which groups took loans directly from the AFC while group guidance was supplied by the NGO, and the Indirect Linkage Model which placed the NGO as an intermediary between the groups and the AFC, requiring it to provide a guarantee for the loan. Interest rates charged were broadly market rates of interest. The linkage scheme has received support from a number of donors including the World Bank, IFAD and the EU.

At a workshop to evaluate the programme in March 1996, participants stressed the importance of encouraging substantial savings among group members to reduce the total credit requirement of borrowers and to guarantee group loans. By providing their own security in this way, groups could become independent of the NGOs. However one technical constraint to introducing savings within the linkage scheme is that the AFC is prevented by its constitution from mobilising savings. This situation is expected to change in the near future.

A strong savings culture in Zimbabwe underscores the need for the AFC to adopt a more holistic attitude to financial services. The resources which could be mobilised if it took deposits would provide funds for expanding its lending operations. Most savings clubs in Zimbabwe come under an umbrella organisation called the Self Help Development Foundation which has assisted over 11,000 savings clubs with a membership of over 200,000. The Post Office Savings Bank is also very strong in Zimbabwe.

The development of policy within the AFC over the last few years, combined with the strong savings culture in the country, suggests that programmes in the future will have a strong savings component. This is entirely consistent with developments in other countries visited during the course of this research, and with developments in countries elsewhere in Africa.

### Section 2. Farmer organisations and groups in the provision of agricultural services: the co-operatives and the Zimbabwe Farmers Union

Farmer organisations in Zimbabwe are diverse in nature, taking many forms and draw on support from Government, the commercial farming sector and both national and international non-government organisations. Against the background of a relatively strong commercial agricultural economy, some significant groups of small-scale and communal farmers have organised themselves, or have been assisted to organise by commercial companies and by non-government organisations active in the field of rural development. Highlights of these developments are described in this and the following two sections of the report. This section looks at the formal co-operative sector and the Zimbabwean Farmers Union; Section 3 covers the role of donor agencies in supporting farmer group initiatives and Section 4 looks at how the private sector has worked with and sometimes promoted groups to establish marketing arrangements.

### 2.1 Co-operatives

Large scale commercial farmers in Zimbabwe have benefited from co-operative forms of organisation since 1909. In 1989 it was reported that 9 marketing and supply societies were in existence with some 4000 large-scale farmer members (World Bank 1994). At Independence in 1980 there were 343 registered co-operatives with a membership of 70,000 communal farmers. Under the auspices of the Ministry of Community and Co-operative Development and Women's Affairs (MCCWA), cooperative development expanded considerably. The rapid growth particularly of Collective Co-operatives strained the resources of the Government to train and supervise the members and consequently a high failure rate was experienced. The collective form of production favoured by the Marxist-oriented policies of the newly independent Government led to large numbers of resettled ex-combatants forming collective co-operatives in which production and labour is shared, to produce a common harvest with subsequent division of profits. Many of these are currently inactive or have reorganised themselves with a division of the once shared land resource into individual plots, where families are responsible for their own production and reap the benefits of their own labour directly.

All these changes have resulted in a widespread feeling within and without Government that co-operatives have largely failed. At the same time development agencies are still encouraging and supporting forms of farmer organisation over which hangs a question as to the most appropriate form of registration. Weaknesses in farmer organisational development can be identified in some of the Official Development Aid programmes (see Section 3.1 below).

Zimbabwe has two forms of co-operative organisation with one form of registration under the Co-operative Societies Act and another option to register as a Co-operative Company under the Companies Act. This latter form of registration is used by the commercial farmers for their co-operatives as it is outside government supervision and provides considerable freedom to operate and manage a commercial business. It

seems likely that this form of registration will be increasingly used as government resources available to monitor and supervise co-operatives recede under the economic structural adjustment programme. Furthermore, the nature of farmer co-operation and the predominance of linkages with the commercial sector lend themselves more favourably to forms of registration that allow complete commercial freedom to manage an effective agribusiness, without Government interference.

### 2.1.1. Agricultural Service Co-operatives

Agricultural Service Co-operatives are found at Provincial level and operate input supply and marketing services for communal farmers and small-scale farmers. One of the largest is the Masvingo Co-operative Union formed in 1966 and currently with 131 primary societies in membership throughout the Province. It has six branches at District level and members visit their nearest branch to conduct business. It purchases inputs in bulk and distributes to District branches. Primary co-operatives collect individual orders from their members and a single order is given to the union branch. Members pay cash to the branch for their supplies but the branch is allowed 7 days credit with the Union in Masvingo. Annual turnover on input supplies is between 2.5 to 3m Z\$ (£179,00 to 215,000). It has 33 staff (recently reduced from 85).

The union also operates as an agent for marketing crops. Last year it handled 200 tons maize, 150 tons groundnuts, 100 tons sunflower, 50 tons sorghum and millet and 30 tons of beans. The manager felt that he could greatly increase the marketing service but transport is the major constraint. A further constraint is that the branches can only take the crop on credit from the farmer and average pay out to the farmer takes two weeks. Since liberalisation new buying companies have appeared in Masvingo and one such company Midland Buyers will pay in 48 hours. This is creating competition for the co-operative and in order to compete effectively it would need to reorganise its cashflow.

The co-operative is clearly under capitalised and currently has only Z\$10,000 share holdings. At primary level every 20 farmers pay Z\$10 share holding and a joining fee of 50 ct. Plus individual share holding of Z\$1.50. The Board of Directors have recommended that individual share holding be raised to Z\$20 per farmer. This should be seen in the light of ZFU's current policy of trying to recruit individual farmers at an annual subscription of Z\$20. The co-operative is also trying to increase member savings in the co-operative which are still small and does this through a system of levy on input supplies.

Since 1986 the co-operative has had assistance from GTZ in the form of technical training (discontinued), donated trucks, marketing assistance and an interest free loan for purchase of input supplies to allow the co-operative to order in bulk at the beginning of the crop season.

The co-operative has the overall appearance of being well managed with a good management information system and tidy warehouse, but its under capitalisation and clear dependence on continuing support from GTZ must give rise to concern over its future viability. Trading conditions are likely to become even more competitive in the

liberalised market and with interest on bank loans to co-operatives at 25% they will need to work harder to stay in business.

We suggested that the future must lie in raising farmer equity in the co-operative, increasing fixed deposit savings and linking share holding with business transacted by members to continuously raise the share holding levels. Unless urgent steps are taken to correct the deficiencies and replace the drip feed support from GTZ, Masvingo Co-operative Union is unlikely to survive in the new economic order. The manager is well aware of the problems and is working on them actively with the Board. He points out that the major drought of 1993 severely affected their co-operative as it did many other agricultural enterprises in Zimbabwe. Current interest rates do not encourage investment other than low risk, high return ventures.

### 2.1.2 Organisation of Collective Co-operatives in Zimbabwe (OCCZIM)

Following Independence in 1980, extensive settlement schemes were used to place excombatants onto farming land which was compulsorily purchased from the large scale agricultural commercial sector. These settlements were organised in the form of collective (production) co-operatives mainly during 1983 to 85. Given strong Government support in their early years, they increasingly faced the realities of farming in a drought prone climate especially when financial support tailed off in later years, and they had to become self-supporting. In order to strengthen their organisation and management, a number of donors provided training and material goods in the form of tractors and implements. Eventually the Organisation of Collective Co-operatives in Zimbabwe was formed and became a focal point for delivering donor assistance to the co-operatives. This organisation is described as an independently funded, Zimbabwean grass-roots controlled, national NGO.

OCCZIM has a head Office in Harare with a small Secretariat including national advisers. In each Province it has a branch office and Masvingo Provincial Union is a typical example. It is headed by a Provincial Co-operative Development Officer, a Business Adviser and an Administrative Secretary. It provides a range of services to its members, the collective co-operatives in Masvingo Province. These services include general advice and training on all aspects of co-operative law, registration, democratic management and working practices, finances, record-keeping, production, marketing and business growth. Increasingly, OCCZIM Masvingo is focusing on developing the business aspects of co-operative enterprise, in a bid to bring its membership to the point where they are self-reliant, and able to grow and prosper under their own momentum.

The branch provides services to 4 collective farms whose membership ranges from 21 to 56 members. Since last year the collective farms have been split up into individual plots and this has facilitated new levels of production and efficiency. In addition OCCZIM assists 25 gardening groups and a number of off-farm production groups, particularly sewing co-operatives. Some of the services at the collective farms are shared and members pay for tractor services.

Current donor support has come from Terre des Hommes, a German agency, and a Swiss agency which has provided cattle fattening loans. The Business Consultancy Service is supported through a linkage with Middlesborough, UK which set up a Trust Fund with support from Comic Relief. A Business Consultant was sent out from Middlesborough for a two year period to develop the Consultancy Service. The demand on the services of the OCCZIM branch far outstrips their ability to deliver, with funding a major problem. The nature of the co-operatives is changing from a collective approach to production, towards one in which members organise their own primary production and share certain common services. In this way they derive the full benefits of their labour and obtain job satisfaction. It allows individuals to develop at their own pace and reap the rewards of their increased efforts.

### 2.1.3 Current Policy Trends in Co-operative Development

All the indications are that farmer organisation under a Co-operative Societies Act registration is in decline with various agencies and individuals searching for new forms of co-operation that do not emphasise co-operatives because of their past problems and the legacy of failure. It seems generally accepted that a corporate legal identity is essential if farmer groups are to access loans from institutions like the Agricultural Finance Company who up till now have required this qualification. Development agencies such as the Agricultural and Rural Development Agency (ARDA) implementing an EU project in Mashonaland East, have formed groups and associations, but so far have not advised on registration. These groups now facing marketing problems require some legitimacy and may become registered as a Co-operative Company. This is the current thinking of an EU Institutions Adviser.

The Director of Field Operations-AGRITEX commented that collective co-operatives have been a failure but nevertheless farmer groups need assistance with forms of organisation and that co-operatives are not necessarily the best way forward. The Marketing Director of ZFU when talking about ZFU's policy of helping farmer groups to form linkages with commercial companies for marketing, felt that co-operatives were only one way of institutionalising farmer group enterprise.

Choice of registration/incorporation for farmer group enterprises are particularly in focus in Zimbabwe in relation to the emerging forms of co-operation between farmer groups and commercial companies. In general the more commercial the partner enterprise, the greater the mistrust of co-operatives. The Managing Director of Hortico, a commercial vegetable grower in the export trade, sees co-operation with communal farmers as a two stakeholder process with the company and the group of farmers. The existence of a co-operative would for him represent a third stakeholder likely to have its own agenda and demands that would detract from the key two way interaction between the producers and the processing/marketing functions (see Section 4.3).

This raises questions of whether more formal farmer institutions are needed for these new forms of co-operation when the association of farmers is not trading as an activity, but acting solely as a liaison group for the purpose of forming a linkage with a specialised commercial marketing organisation.

### 2.2 The Zimbabwe Farmers Union (ZFU)

The ZFU is one of two national farmers' organisations in Zimbabwe. The Commercial Farmers' Union represents the mainly white commercial farmers in the country and traces its roots back to the 1920s. The ZFU was formed in 1991 when the Zimbabwean National Farmers' Union, founded in 1938 by small-scale commercial farmers, joined together with the National Farmers' Association of Zimbabwe which was founded in 1980 to represent farmers from the Tribal Trust Lands (now the Communal Areas).

The ZFU has a broad membership representing five types of farmers: communal area, resettlement area, small-scale commercial, large-scale commercial (indigenous), and peri-urban plotholders. In 1993/94, ZFU had more than 164,000 members in communal and resettlement areas (representing 17% of all farmers in this group) and approximately 3,400 small-scale commercial members (representing 40% of all farmers of this type). Base units of the organisation are clubs (6,000) organised at the village level in the communal and resettlement areas and producers' associations (125) which are organised at the ward level and bring together the small-scale commercial farmers. The boundaries of the base units tend to be very fluid and the activities they are involved in quite varied as they respond to the local needs and demands of members.

The ZFU is recognised by government as the legitimate representative of communal, resettlement and small-scale commercial interests. Its independence from government is formally guaranteed by the Constitution and one of its important functions is to lobby government on behalf of its members. Following the introduction of the ESAP the position adopted by the ZFU was initially highly critical, arguing for the retention of fixed prices and government marketing and input delivery services. This reaction contrasted with that of the large-scale commercial farmers who saw in the liberalisation programme opportunities for new investments. Some commentators argue that the ZFU's response did little to advance the interests of its members. However in more recent years the ZFU has accepted that liberalised markets provide the framework in which its members have to operate and it is directing resources at assisting them to take the best advantage of the situation. Since 1994 it has had a Marketing Department (this comprises a chief marketing officer in Harare and eight provincial officers).

The Department is involved in a variety of initiatives to improve members' access to agricultural services within the liberalised system. At a an ideological level it is still attracted to the idea of co-operatives and from July 1996 a new pilot project supported by the Swedish Co-operative Centre will attempt to build up the operational capacity of groups of farmers to enable them to trade on their own behalf. However a commitment to a co-operative strategy has to be balanced against the general perception in the country and amongst farmers that traditional forms of co-operative enterprise have failed. The ZFU is therefore promoting types of co-operation amongst its groups that allow members to take advantage of the scale economies of group action without requiring them to invest substantial managerial or financial inputs.

Farmers are encouraged to form marketing groups to bulk up their production and the union provides assistance with finding a market by linking groups directly with processors or the Commodities Exchange. According to the Marketing Department there is great potential for developing these arrangements as many agro-processing companies are interested in directly procuring from groups of smallholders. In Section 4 a number of existing arrangements of this kind are reviewed. This linkage strategy, which has emerged as a major theme in the research on farmer controlled enterprises, has also been adopted by a number of the NGOs in Zimbabwe (see Section 3.2).

Other activities promoted among its members by the ZFU to improve access to agricultural services are to encourage groups to bulk up orders for inputs and to set up savings schemes. All ZFU members are entitled to a 14% sales tax exemption on purchased inputs and at a national level the union is lobbying to open up the domestic market in agricultural input supply (which is presently dominated by only two companies) by bringing in a foreign supplier. With regard to storage services, it is lobbying government to allow its members access to government owned warehousing facilities that have been taken out of operation by the GMB.

# Section 3. Farmer organisations and groups in the provision of agricultural services: The role of donor agencies

### 3.1 Official donors

A number of donors have been involved in projects to improve agricultural service provision to smallholders. As mentioned in the section above, GTZ has provided support to the co-operative sector since 1986. In Masvingo this appears to have had a positive impact in terms of good management but there is some doubt about the sustainability of the co-operative's operations once support from GTZ has been withdrawn.

The EU has been involved since 1988 with a major project to assist smallholders involved in horticulture production in Mashonaland East. Though the project initially focused on improving production and productivity, a second phase has emphasised marketing and institutional development in response to problems experienced by many growers in marketing increased production. The lack of transport facilities was identified as a major constraint and the formation of farmer associations to operate donated trucks has been the strategy adopted by the project to overcome this.

In practise the operation of the associations has been disappointing. The underlying problem appears to be one of ownership. According to an institutional consultant's findings, membership of the associations was perceived by farmers joining them to be a means to an end: if sufficient farmers joined, the donor would provide a free truck. Once acquired, with no resources of their own invested in the truck, members tended to view it as the responsibility of the donor, and not their own. This attitude was compounded by the poor performance of the association committees, elected by members to manage the association's marketing activities. These received little training and guidance from the project, despite the complexities of the operations they were involved in. Consultants brought in to evaluate the associations in May 1995 found them to be neither profitable nor sustainable.

The EU is now working hard to try and mitigate some of these problems. However for the purposes of this research, which is concerned to identify the most appropriate forms of government and donor intervention, more fundamental questions need to be asked about the original design of the project. In his evaluation, the institutional consultant highlighted the fact that the concepts of self-reliance and empowerment of farmers were not clearly elaborated at the design stage. This allowed a project design to be adopted (the provision of a free truck) which had the effect of increasing dependency among beneficiaries. It also proved inappropriate because the demands made on the farmers' elected representatives to operate the associations' services proved to be beyond their existing capacity and experience and little provision was made in the project to provide them with the necessary skills through training.

The EU experience in Mashonaland East contrasts with the approaches adopted by some of the NGOs in their projects. These experiences are reviewed in Section 3.2 below, but the main difference is the emphasis attached by the NGOs to participation

and self reliance. This has had the effect of creating what appear to be far more sustainable approaches to marketing problems.

Over the last few years, the British ODA has been supporting an innovative collector wells pilot project to provide communal farmers with drinking water and irrigation for horticultural production (Lovell et al., 1996; Waughray et al., 1996). Technically the pilot project appears to have been successful and the project's objectives of providing drinking water and increasing the nutritional status and income of beneficiaries through increased horticultural production have been met. However in a way that mirrors earlier EU experience in Mashonaland East, the original project design assigned little importance to marketing issues and as a result beneficiaries are finding that they are encountering difficulties in marketing surplus vegetable production. The ODA is aware of this and is exploring possibilities for addressing the problem. It is to be hoped that they will learn from the mistakes of the EU project and support the development of sustainable marketing systems. The ITDG project and the CARE AGENTs programme reviewed below provide some possible approaches.

A bias towards technical and production oriented objectives in project design at the expense of consideration of marketing issues is a common feature in official aid projects. The early phases of the EU and ODA projects provide evidence of this in Zimbabwe.

Another project reviewed during the course of the research confirms this bias. The FAO's proposed Farm-level Applied Research Methods in East and Southern Africa (FARMESA) (FAO Project Document, 1996) is a regional project which aims to improve the processes through which new technologies are identified, adapted and applied by exposing existing personnel involved in agricultural development to more participatory techniques. However despite adopting "a holistic, systems approach to farm-household and community level analysis", it makes no reference to marketing issues. The market oriented work of the NGOs reviewed below, which has been highly participatory, is in response to smallholder demand. Given this the FARMESA project, which includes a training and education component for agricultural personal, might want to consider including marketing within this. Agricultural workers would then be better equipped to advise smallholders on marketing issues if these were raised as a matter of concern.

In fact interviews with a number of commercial farmers and agribusiness companies conducted during the course of the research suggests that in practice AGRITEX staff are already involved in assisting smallholders with marketing issues through the role they play as intermediaries between farmers and commercial operators. More details are provided in Section 4 below.

USAID Zimbabwe stands out as an exception to the technical/production bias identified among other donors as it attaches great importance to marketing issues. Its strategy for improving marketing services to smallholders is to provide support to commercial agriculture and agribusiness with linkages to smallholders. It is presently involved in formulating an agribusiness scheme which would provide assistance to contract farming or outgrower scheme operators working with smallholders.

However the role of farmer groups in such operations is perceived as potentially controversial: commercial companies often prefer to deal directly with producers rather than through their representatives who might introduce agendas of their own, as mentioned in Section 2.1.3.

### 3.2 Non-Government Organisations (NGOs)

As in all developing countries, Zimbabwe has a rich variety of national and international non-government organisations. The international NGOs are involved in rural development and some like CARE and ITDG are employing new techniques and approaches to sustainable agricultural development. The national NGOs like Silveira House (Catholic Development Commission) and ENDA have a focus on sustainable development and follow policies which recognise the drought prone nature of Sub-Saharan Africa and the scarcity of resources. They promote permaculture, sustainable organic farming in all its forms and the use and widespread distribution of small grains (sorghum and millet). Both ITDG and ENDA have linked farmers groups producing sorghum and millet to commercial buyers including Chibuku Breweries and the Seed Company of Zimbabwe.

### 3.2.1 National Association of Non-Government Organisations (NANGO)

NANGO is an umbrella organisation of NGOs both national and international. It produces publications that list the organisations and describes their nature and activities.

### 3.2.2 Intermediate Technology Development Group (ITDG)

Information on ITDG's activities in Zimbabwe was initially obtained from Comic Relief in London who are supporting the development work with farmer groups in Wards 21 and 23 in Chivi District of Masvingo Province. This is a harsh marginal, drought prone area with almost a constant water deficit. Crops grown are small grain cereals, sunflower, groundnuts and bambara nuts. ITDG were visited in Harare to obtain background information on their development approach and subsequent visits were made to the field in the company of AGRITEX Extension officers who work closely with ITDG.

The work which started in 1991, involves promoting a development dialogue with the farmers to analyse their problems. Farmers are encouraged to form farmer groups and garden groups. The nature of these groups is essentially an association of people facing similar problems (marketing problems, water shortage, harsh environment). They have been encouraged to form village based groups with representatives going forward to serve on an inter-village committee. No material assistance is given other than training in problem analysis and transformation for change. This training is carried out by Silveira House (see Section 3.2.4.1 below) and involves both farmers and AGRITEX staff. The focus of the training is how to promote sustainable agriculture in low potential drought prone areas. The answer is seen to lie in introducing more innovation and better organisation using traditional forms of organisation. Institutional surveys were carried out to examine the leadership and

organisational patterns of the people, with the intention of building on these and introducing new skills and ideas. The fundamental organisational building blocks start with traditional Kraal Heads and this contrasts with many other group formation approaches that tend to encourage formation of groups that cut across traditional lines of leadership.

Part of the training of the farmers is designed to create a demand structure in which farmers become aware of their problems and some of the solutions, so that they can articulate their needs and promote action themselves. ITDG found that the existing farmer clubs promoted by AGRITEX and ZFU were composed of the elite with large numbers of disadvantaged and economically weak producers excluded. They wanted to find a way of involving all the people in the development process.

Groups have up to 70 members composed of smaller traditional groups/families and this umbrella group affiliates to the ZFU. The activities of the clubs consist of labour sharing and information sharing which, although traditional, had fallen out of practice and is now being re-introduced with enthusiasm. Marketing activities are also becoming increasingly important as new forms of organisation and the reintroduction of traditional moisture conservation techniques are assisting farmers to move steadily out of subsistence agriculture into cash cropping with sorghum, caster beans, groundnuts and millet. Efforts are made by the groups to establish marketing links with buyers in the towns and they have been successful so far in making a link with Chibuku Breweries (see Section 4.2). In six villages, nine farmer clubs and 10 garden groups have been initiated.

A visit to ITDG's project in Chivi is described in Section 5.

### 3.2.3 Environment and Development Activities (ENDA)

This NGO is a national NGO that is linked with similar national agencies around Africa. ENDA describes itself as a non-profit organisation working with people in rural and urban areas striving to improve their lives and their resources in a sustainable way. Their work with farmer groups, which involves re-introducing small grain cereals, seed multiplication and selling certified seed stock to a commercial seed company, is of particular interest to this research study.

The project known as the Zimbabwe Seeds Action Network is funded by NOVIB and co-ordinates the seed supply of several Zimbabwean, Zambian, Botswana and Mozambican NGOs. The network promotes the conservation of plant genetic resources and the multiplication of indigenous food plants in semi-arid regions of SADCC. Agronomic seed demonstration and multiplication plots are established with communal households to evaluate the performance of indigenous crops. Seed and food processing centres are being developed with communal farmers for the conservation and multiplication of the classified seed varieties for self-sufficiency in five pilot Wards affecting 6000 families.

A visit to two farmer groups involved with the ENDA programme is described in Section 5.2.

### 3.2.4 NGOs providing training

### 3.2.4.1 Silveira House

Silveira House is a Catholic sponsored Development Centre with a very high reputation for training and the promotion of sustainable rural development. In addition to training they have taken a strong lead in promoting development dialogues with other agencies on such subjects as structural adjustment and the effect on the urban and rural poor. As noted above, the ITDG programme has used Silveira House's programme "Training for Transformation" for farmer leaders and AGRITEX staff.

Other programmes at Silveira House include micro-enterprise development, vocational training and work with youth groups.

### 3.2.4.2 Self-Help Development Foundation

This Foundation is a national NGO which promotes and assists savings clubs in Zimbabwe. Originally supported by OXFAM more than 30 years ago it has since then assisted 11,000 savings groups, each consisting of 15 to 30 individuals with a total of over 200,000 savers across Zimbabwe. 70% of the members are women.

The policy of the SDF is to promote saving for a purpose rather than for its own sake. Members take part in programmes which are financially within their reach and which satisfy a need, such as food security or the establishment of an income generating project. The Foundation has been supported by the Konrad Adenauer Foundation of Germany.

It has a particular relevance for helping individual group members or the group itself, to raise capital for bulk input supply purchase, a marketing development fund, or perhaps hire of transport for crop marketing. With sufficient savings a group can avoid the use of credit which is expensive (23%) or can use its fixed savings as collateral for a larger loan. With the assistance of CARE a credit training programme is being designed and will be field tested with the intention of developing systems necessary for SDF to manage a credit programme.

SDF could have an important role in assisting group enterprises to raise capital for their joint ventures with commercial producers and contract marketing systems. In this respect they could be of interest to Hortico who are looking for ways of helping smallholders finance the cost of horticultural crop production for export (see Section 4.3).

### 3.2.4.3 Friedrich Ebert Foundation (FES)

FES is a German NGO and currently has an EU contract to assist the Zimbabwe Farmers Union with staff training at all levels. In 1995/96 a series of seminars have been organised with ZFU to examine critical issues concerned with smallholder agricultural development. Topics have covered small scale irrigation, diversification

for sustainable food security, and an examination of the effects on small-scale agriculture of economic structural adjustment.

As well as seminars FES is assisting the production of a ZFU radio programme and magazine for members. An ambitious training programme aims to undertake 1,200 ward seminars for ZFU staff and members. Another of FES's programmes concerns support and networking co-operation between farmer organisations within SADDC. They have an interest in linking of small-scale farmers with commercial agriculture and export as this is one of the aims of ZFU to encourage such joint ventures.

### 3.2.5 An alternative approach: the CARE AGENT Programme

An international NGO, CARE has a number of rural development programmes in Zimbabwe including garden clubs, credit for small enterprises, small dam development and rehabilitation, and an unusual agricultural dealership network. Its full title is Agribusiness Entrepreneur Network and Training (AGENT) programme. The AGENT programme commenced in 1995 and comprises a network of 17 village based dealers of agricultural inputs including fertiliser, crop chemicals, seeds and cement. It was designed in association with the Ministry of Agriculture and another NGO, the African Centre for Fertiliser Development (ACFD).

The aim is to facilitate delivery of agricultural inputs to small-scale farmers in the communal areas, and to do this through establishing a network of community based agribusiness agents. In its first year of operations, the AGENT programme has provided agricultural inputs on a consignment basis, including fertilisers, seeds, crop chemicals and farm implements to 17 agents whose business activities are located in the Communal lands of Masvingo and Midlands Provinces.

The programme is modelled on private sector agribusiness agent networks which have been established very successfully in South Asian countries, especially in India and Bangladesh.

Community surveys were held on input needs and the agents were identified by the communities themselves as being people with whom they could do business and trusted. Some of the agents are women. In most cases they already have small stores and are established entrepreneurs. Agri-input inventory purchases worth approximately US\$ 40,000 were made by CARE from suppliers on 90 day credit and distributed to agents on a consignment basis. The 17 agents collectively and individually submitted requests for agri-input stock. In mid-October 1995 CARE responded by provisioning the agents with the requested inventory. By February 1996 this had been turned over three times and repayment levels to suppliers had reached 50%. Amounts outstanding were secured by consigned inventory owned by CARE Zimbabwe and thus serving as collateral. Unsold inventory is periodically transferred between agents based on actual and projected sales patterns. Periodic training courses have been held for the agents covering dryland farming methods; product knowledge, selection, management and training of agents; agribusiness agent information networking and business methods.

CARE have commissioned an evaluation of the first crop season of this programme. They are aware of the current dependency on CARE but believe that eventually the agents will build up capital and no longer require financial or logistical support from the agency. This programme has in its design an Association of Agents who will network and exchange information on prices and suppliers. If the programme continues to make the progress already demonstrated it is likely to present a real challenge to the Masvingo Co-operative Union and its branches. MCU prices are known to be higher than the agents' prices and to stay in business the co-operative will have to achieve new levels of efficiency.

It seems evident from the first year of the programme that there is a strong demand for fertiliser, seeds and crop chemicals in the communal areas and that the constraint in their use has been availability. Price may not be so important as availability. The last crop season was a good one with adequate rainfall but it was preceded by several seasons of below average rainfall and a severe drought in 1993. The agents will need to acquire considerable business acumen to stay afloat if the climatic changes, severely affect sales and usage. It is likely that other entrepreneurs may set up following the example of the CARE programme. This will promote a healthy competition but only those who stick to cash sales are likely to survive on a long term basis.

This programme could be replicated in other parts of sub-Saharan Africa and its progress should be monitored, as it could form a new component for development agencies in the aftermath of structural adjustment and the introduction of a liberalised economy. A dealership association committed to high standards of service, good coverage and harmonious price policies would represent a new form of African enterprise that is entirely relevant and much needed in rural areas. It would replace the input supply functions that have been poorly managed by so many co-operatives and take the need for managing trading activities away from farmers, allowing them to concentrate on the subject they know best i.e. production.

An account of a visit to one of CARE's distributors is provided in Section 5.

### 3.2.6 NGO concern for the environment and sustainable development

All the NGOs visited in Zimbabwe appear to be taking a strong lead in their concern for sustainable development, bringing together organic farming, water conservation and the promotion of drought resistant crops with a clear eyed appreciation for the importance of identifying appropriate marketing opportunities for smallholders. In doing this they appear to be ahead of the Official Development Agencies who are still maintaining a more traditional approach to development which focuses on production facilities, formal farmer organisations and minimal support for marketing.

## Section 4. Farmer organisations and groups in the provision of agricultural services: the role of commercial organisations

Zimbabwe has a well established large-scale commercial farming sector that has developed over many years. The commercial farming is well served by effective input supply and specialised commodity marketing companies and associations. The crops concerned are tobacco, sugar, maize, fruit and more recently high value export horticultural crops. Whilst the bulk of production is in the hands of large scale farmers (average farm size is 2,200 ha), small-scale farmers are increasingly becoming producers of these crops including tobacco, sugar and to a limited extent, babycorn and mangetout. In some cases private companies have taken an initiative in promoting, training and supporting the small-scale producers who market through the company.

In this section examples are provided of private operators who have actively sought links with smallholders. Services provided by these companies vary, some have restricted their operations to procurement whilst others have become involved in prefinancing producers and even providing training. The motivation behind these initiatives ranges from the strictly commercial (smallholders produce more cheaply or at higher quality) to the developmental (the need to create a more inclusive commercial agricultural sector).

The role of groups in these arrangements varies. Where input distribution or the bulking up of a commodity for procurement is required by the company, groups can play an important role. Additionally, group guarantees are used for pre-financing by the Cotton Company of Zimbabwe. In other examples, groups are not important and in one case the commercial company does not encourage them at all.

### 4.1 The Cotton Company of Zimbabwe

The Cotton Company of Zimbabwe (CCZ), formerly the Cotton Marketing Board (CMB), is a semi-commercial company owned by government but required to operate on commercial lines. For the last three years it has been pre-financing groups of smallholder growers. This has been supported by lines of credit from the World Bank. Since its monopoly on cotton purchase was removed, the CCZ has faced competition from two buyers: COPRO, which does not provide any additional services to producers and Cargill, which has only entered the market this season and which at the time of this visit had not indicated what its strategy would be.

Groups organise at the village level and are self selecting. They appoint a chairman who receives two weeks training in agronomy and legal matters from the CCZ (the company requires that all chairman are literate). The company arranges for the distribution of inputs (seed, pesticides and fertiliser) to transit depots from where the groups arrange collection and distribution. The company has a written contractual agreement with each grower which specifies the amount owed and requires the grower to sell the company 100% of his crop. If one member of the group reneges on this agreement, the whole group is penalised through the group chairman against whom the company can take legal action. This system is felt to be effective as it creates

strong incentives for the chairman and group members to screen out unreliable farmers. Equally, as the Cotton Company may represent the only financial institution available to smallholders in remote areas, incentives to maintain a good relationship with the company are high.

The company provides its own extension support to farmers and also works through AGRITEX. It regularly organises field days for its growers. At harvest it sends buying agents out to purchase from the groups and these agents are responsible for grading the cotton. Their ability to do this accurately is important because in order to create incentives for high quality production, the company pays farmers on the basis of the grade harvested.

For the last two years the company has offered alternative marketing options to its farmers. The grower can take out a forward contract with the company which commits it to paying a guaranteed price; or the grower can put his cotton in the seasonal pool which is the aggregation of the year's trading. The grower receives a first payment under this system and the chance of a supplementary payment later in the season. In April 1995, the price offered for a forward contract was quoted as Z\$ 6.67 (B grade base price) and Z\$5.10 for the seasonal pool. Farmers preferring to sell on the basis of a forward contract are required to commit a minimum of 50 tonnes and the company is actively encouraging its groups to bulk up to take advantage of the higher price.

The company is pre-financing between 1,600 and 1,700 groups of about 30 farmers (approximately 50,000 growers), each with a holding of between 1 and 1.5 ha. The smallholder sector accounts for about 70% of national production and since the company started the scheme it has seen average yields among smallholders increase from 400-500 kg/ha to 800-1000 kg/ha. This it attributes to timely and adequate distribution of inputs.

From a commercial point of view, the company is keen to retain its smallholder producers as they produce a higher quality of cotton than commercial growers (and quality carries a high premium on world markets). Whilst smallholders invest considerable time in pre-grading and will harvest over several days to obtain a maximum and high quality yield, commercial farmers employing contract labour produce a lower quality cotton as labourers are paid on the basis of volume rather than quality. To what extent liberalisation of cotton sales will affect repayment and the profitability of the scheme is likely to become apparent during the 1996 season.

### 4.2 Chibuku Breweries

Since 1989 Chibuku Breweries has been procuring sorghum from groups of smallholders in communal and resettlement areas. Although the quantity purchased from smallholders is only about 2% of the total, the company is keen to increase this amount as over the long term it anticipates that the quantity of sorghum grown by commercial farmers will decline as they diversify into higher value crops.

About 10 groups of between 20 and 300 farmers supply the company. The company selects the areas it works in on the basis of suitability for sorghum production. All the groups are in Regions 4 and 5 and are therefore dryland, drought prone areas where maize production is unreliable but a reasonable sorghum crop can be expected even in a dry year.

The company does not normally pre-finance the crop, although after the drought of 1995 seed was delivered on credit. Written agreements are not drawn up with the groups, nor are they required to produce a minimum tonnage. At harvest the company provides bags at a small fee to the group and arranges transport to the nearest brewery, a cost which is met by the farmers. From there the sorghum is transported to Harare at the company's expense. In contrast commercial farmers have to deliver to Harare entirely at their own expense. After the company has taken delivery of the crop and weighed it, officials are sent to the community within 3 days to pay the farmers in cash.

The company works with AGRITEX to provide technical assistance to the farmers and regularly holds field days. Each group is required to provide the company with a list of members, including their farmer registration numbers and hectarage. It is also required to elect a committee.

On the whole the company has been pleased with the performance of the scheme. As already indicated, it is in its long term interest to diversify its procurement base given the likelihood of decreasing supply from commercial farmers. The sorghum produced by smallholders is also of a higher quality as it is hand harvested. The company has experienced a few problems with the scheme as well, mainly as a result of leadership wrangles between groups. Despite this the company appears committed to the scheme and considers it to have gone well beyond a pilot phase.

For farmers in Regions 4 and 5 participating in the scheme, the opportunity to grow a cash crop provides an important source of income in an environment where economic options are constrained. This is illustrated in the ITDG case study in Section 5.1.

### 4.3 Hortico

Hortico is a commercial horticultural company about 40 km outside Harare and is involved in growing high value crops for export. It is currently growing roses, fine beans, sweet corn, mangetout, babycorn and evening primrose. These crops are packed and sent by air to Europe, Singapore and other markets.

The vast majority of production comes from the company's outgrowers who are commercial farmers in the area. A small number of smallholders are also producing for the company on existing small and often under-utilised, irrigation schemes. The company has assisted these farmers to set up overhead irrigation and trained them in the specific crop production, working closely with AGRITEX which has provided good support. It has also pre-financed growers, making deductions for loans from final payments. At present, three farmer groups are involved consisting of 120, 60 and 20 farmers. The mangetout and babycorn they are producing is of good quality.

The company would like to expand production among smallholders and involve up to 3,000 growers. There are distinct commercial advantages to smallholder production as smallholders produce more cheaply than commercial growers and at a higher quality. In addition the capacity of commercial farmers in the area to produce is reaching its limit, requiring the company to look to new growers if it is to expand its operations.

The company is presently reviewing forms of organisation and the financing of a proposed new business venture to incorporate smallholders. The company anticipates providing all the moveable assets (transport, cold stores etc.) as well as training and supervision, but it cannot pre-finance an expanded number of growers given the high risks involved. Smallholders would have to finance themselves or seek loans. But according to the company's Financial Director, this represents a major problem: smallholders do not have the necessary security to get bank loans and even the Agricultural Finance Corporation, which used to be an easier source of financing for smallholders, will no longer make unsecured loans (see Section 1.2.3). In his own words, "cracking the working capital nut" is the major challenge facing the company.

With regard to the organisation of smallholders within the business, the Managing Director expressed the view that he did not like the idea of farmers forming representative organisations. He sees two stakeholders in the business, the Company and the farmers as individuals. In his view therefore a co-operative or farmer association would come between him and the growers, having interests of its own which might conflict with his goals.

Hortico's negative view of farmer organisation may reflect a concern that it will be politically motivated. It is possible that the company would take a less hostile view of farmer groups established to facilitate business between them. For example, in relation to financing, a group of farmers might be able to raise capital and attract production credit from a bank for its members more easily than farmers could alone.

In the present system Hortico have a Smallholder Agronomist, Takunda Shava who organises and trains the farmers in the production techniques. There are sub groups of farmers and field supervisors that ensure that cultural requirements are followed and quality standards are maintained.

Estimates of the establishment costs for 3,000 smallholders are Z\$3m for capital costs and Z\$3m for production credit. This is equivalent to £210,822 for capital costs and a similar amount for production credit. This would be £70 plus £70 per farmer and seems modest. The returns to the farmer per crop on a 20m by 20m plot are estimated at Z\$200 (£14). Hortico were questioned on the seemingly low return of £14 net margin on a production input cost of £70 but stated that this was a normal return on this type of horticultural production. It is expected that a farmer would produce six crop cycles per year. This would give him an annual income of Z\$1,200 from his 20m square plot.

These figures are based on the price paid by Hortico for the crop which takes into account the high cost of export and the risks involved. Some of the crops are sent to

trading floors overseas and there is no guarantee of the price achieved. In other cases crops are exported on a contractual basis where costs and returns are known. Hortico say that they are prepared to buy the crop from the farmer and accept the risk of selling it.

With regard to the role of technical assistance provided by the Official Development Agencies, the MD takes the view that for too many years teams have been trying to promote production of vegetables using various forms of irrigation in Zimbabwe, with little or no attention to marketing. (see Section 3.1 above). The outcome of this official aid has had a strictly limited effect. Whilst it may have been technically successful, the end result is that people cannot sell their production effectively and improve their income in the way projected in project forecasts.

He believes that far too much concessionary development finance has been applied to these less than perfect development programmes. He argues that similar funds should be made available on concessionary terms to commercial companies with professional staff who understand the market and are driven by sound economic principles rather than a weak mixture of social and economic goals. He believes this is the only way forward in Zimbabwe and other parts of Africa

### 4.4 Farmers Development Trust (FDT)

The Tobacco Development Trust was formed in 1983 in order to meet a need for involving black farmers in flue cured tobacco production. More recently in 1993 the Trust changed its name to the Farmers Development Trust in order to reflect their more widespread interests in settling farmers on land for crop production other than tobacco. The Trust is heavily supported by the Zimbabwe Tobacco Association and its commercial members. Their mission is to facilitate the development of peasant farmers, through training to smallholder commercial producers who are expected to ultimately attain the status of fully fledged commercial farmers. The project goals include broadening of the agricultural production base by bringing in indigenous farmers into the main stream of sustainable commercial agricultural production.

This is achieved by utilising farms purchased by the Government and settling farmers on 10 ha units after 10 months of intensive formal training in day centres. At each settlement scheme there is a Management Committee which includes representatives from AFC, AGRITEX, ZFU, CFU and a smallholder/tenant. Production is heavily supervised and all inputs are provided on credit through an AFC loan repaid by the smallholder from his tobacco sales proceeds (stop order). It is anticipated that after full training and an effective performance over 3 seasons, the tenant can qualify for a 60 ha farm, eventually progressing to 100 ha.

The Trust also undertakes training of communal tobacco farmers who produce significant quantities of tobacco which is sold in the Tobacco Auctions.

The Trust has 1,074 settlers and some 10,000 ha under cultivation within this scheme. The Executive Director sees the scheme as a model for moving away from the social resettlement to economic resettlement. This is consistent with Government policy and

recent Ministerial statements that in future all resettlement will be allocated on the basis of purely economic criteria.

The scheme appears to be highly managed with a considerable dependency of the tenants on the Trust's management system, nevertheless it represents another linkage between commercial crop production with its export marketing scheme and the linking of small-scale farmers who will eventually be commercial farmers in their own right. It will be interesting to follow up their plans for extending the model to other crop production systems in non-tobacco growing areas. It seems likely that the cost of training and supervision may well preclude any large scale implementation. An economic evaluation of the scheme would reveal the true cost effectiveness and potential for more widespread replication.

In terms of this research study, it represents another example of linking small-scale farmers to existing commercial agriculture and the export trade which is vital to Zimbabwe's economic development.

### 4.5 Sugar Association of Zimbabwe

In 1981 just after Independence a settlement scheme was agreed between the Government and Mkwasine Sugar Estate which is owned by a group of commercial sugar companies. The agreement covered the allocation of 1,910 acres of prime irrigated sugar land into 191 ten hectare plots. Each plot had with it a small area of land with a basic two roomed house. The farmers were given a loan to help them produce their first sugar crop which was supervised by the estate management. It was anticipated that once the farmers proved themselves they would be given land titles. Water management is done by the estate but settlers manage their own overhead irrigation. It is estimated that the estate subsidises the electricity for the pumps by 60%. All other production costs are the responsibility of the settlers. The crop is processed in the Company mill and the proceeds are divided with 30% retained by the mill as profit and 70% returned to the estate. Farmers are paid 85% of the estimated value of the crop shortly after delivery and the balance is paid after final sale proceeds are known. In practice deliveries of cane are made several times a year and so farmers have an almost regular cash flow.

Annual production loans were made to the settlers by the Company until 1992 when there was a downturn in prices and the estate was short of cash so the Company withdrew from lending to the settlers. Today AFC provide production loans which are repaid through stop orders on the proceeds of the sugar crop after processing at the sugar mill owned by the Company. The average net profit from the 10 ha is around Z\$200,000 and efficient farmers can earn up to Z\$300,000 per year.

The settlers representatives come together with Estate staff on a Management Committee which discusses all aspects of the scheme and reviews and monitors individual settlers progress.

The scheme is recognised as a major success in Zimbabwe but it has a number of outstanding problems. Land titles have not yet been issued as the water rights are

unclear and some legal provision has to be made regarding use of the water. The titles are expected to be sectional leases because of the existence of some common assets. It is expected that a number of settlers would sell out as soon as they obtain a title. The land is extremely valuable and could be worth up to 4 times the annual profit i.e. Z\$ 1m.

The relevance of this scheme to the research study is that it represents another example of farmer enterprise working closely in harmony with a commercial company which takes responsibility for processing and marketing. A fuller account of its operations is given in Section 5. There are other examples around Africa with similar systems. What is important in such arrangements is the need for maximum freedom for the individual producer and an equitable trading relationship with the commercial company so that each partner feels that the relationship is sustainable and transparent.

### 4.6 Heinz Industries

Heinz has been running a successful outgrower scheme among smallholders for the supply of beans for processing following the introduction of the Michigan pea bean which is used in making canned "baked beans".

Procurement of sunflower for edible oil processing is not done through outgrowers and the company relies on farmers delivering oilseeds to the factory or on brokers who buy in the rural areas. Soybeans are purchased almost exclusively from large scale commercial farmers on a contract basis. On the other hand about 90% of the sunflower seed, which accounts for about a third of the company's total oilseed purchases (60,000 MT), is purchased from small-scale farmers. In discussion, one of the company's commercial directors expressed the view that there was definitely a role for farmers' groups to bulk up production for on-sale to the company on a contract basis, either through its own initiative or with the support of another organisation like the ZFU. The advantage to the company would be guaranteed supply and lower procurement costs and the farmers would benefit from a secure market. Additionally groups under the supervision of ZFU or AGRITEX could be supplied with improved seed with a higher oil content. In this way farmers would be able to market a higher value product increasing the incentives for the company to procure directly from them.

#### Section 5. Case Studies

# 5.1 ITDG Groups and Chibuku Breweries

As mentioned in Section 3.2.2, ITDG's work with farmer groups has led to the establishment of links between groups of producers and the Chibuku Breweries.

The first group visited with an AGRITEX extension officer was in Ward 23 at Chitsika village one of several villages involved in sorghum crop production. A group of three farmers including one woman farmer described how their group was formed. Following initial meetings with AGRITEX and ITDG they had commenced development dialogues to analyse problems and selected persons had gone to Silveira House for training, paid for by ITDG. Village-based farmer groups were formed and these sent representatives to an umbrella committee composed of several groups. This association of village farmer clubs is unregistered but is organised with a Chairman, Secretary and Treasurer with Vice posts for each office. They meet when the need arises. A small joining fee is levied to cover travelling expenses of the committee members. The committee has 16 members and they visit Chibuku in Masvingo (100 km) from time to time to discuss their production and crop availability. Similarly Chibuku staff come to field days and advise farmers on crop production, varieties and quality requirements.

Each farmer has an average of 1.5 to 2 hectares of land on which they grow mainly sorghum now that they have a market for the crop. Other land is devoted to subsistence crops. They commenced selling in the 1992-3 season and last year the association produced 1,680 50 kg bags (84 tons) of sorghum which was collected by Chibuku in three loads. The farmers were clearly pleased with their transition from subsistence to cash crop farming but would like to be able to set the price for the crop themselves. They were receiving Z\$1050 a ton for the crop last year and confidently expect to receive more this year. Farmers stated that since starting cash cropping they had more money for school fees, food and health care and it was evident that many house improvements were taking place.

This farmer enterprise promoted by ITDG and AGRITEX has been achieved essentially through dialogue and training with no material handouts or credit involved. The crop production method is largely organic and uses moisture conservation techniques. The association of farmers is non-trading and therefore requires the minimum of management and financial skills. Its main function is encouraging production of the cash crop and maintaining the linkage with Chibuku Breweries, who with AGRITEX provide any necessary technical information. Its activities do not necessitate formal registration. It is an easily sustainable form of farmer enterprise group.

It is vulnerable in that it only has one buyer for the sorghum production and cannot set a selling price. All this may change in the future as more private buyers for crops are appearing in the provincial town. They may be able to take advantage of future competition for their crop production. They will need to guard against small time private traders who may offer low farmgate prices at harvest. The main role of the Association will be to maintain the direct marketing linkage with the ultimate buyer and try to maintain fair terms of trade.

A second group of farmers was visited in Ward 21 in Chivi District. The development approach was similar to that in Ward 23 with visible evidence that all the land had been carefully ridged along the contours to retain rainfall. The farmer interviewed, Mr Chiuswa, was a traditional Kraal leader and he said that as a result of ITDG's work his leadership position had been recognised once more. He had received training and had visited other groups of farmers, research stations and had received training in new ideas and technology. This had enabled him to increase production and market the surplus. Some of the members of his group were beginning to sell sorghum to Chibuku.

Each village in the group of six in the area had a local farmers' group and they elected representatives to an Area Committee. They had re-introduced traditional labour sharing practices and had purchased donkeys for draught cultivation. The committee meets once a month and liaises with ZFU. They discuss problems and try to form linkages with other agencies that can assist them.

In discussing what has changed for them since they became involved with the ITDG/AGRITEX programme, Mr. Chiuswa said that farmers had acquired a lot of knowledge and had learnt about dryland crops. They had also been able to find new markets for these crops. ITDG had fostered the spirit of working together. Groups compete against each other to produce the best crops, each member contributing a little prize money but the honour of winning is greater than the value of the prize. Later this month the groups will have a seed fair to promote good seeds and look at new varieties.

When discussing problems, Mr Chiuswa said that the greatest problem was finding a buyer for sunflower. The members had asked ITDG and the Area Committee to help them find a buyer but without success so far. They would like to be able to sell the crop at harvest but there were no buyers around at present. He is looking to the association to solve this problem and they will re-emphasise it at the next meeting. His final words were: "As a producer I cannot set the price for my crop. When I buy from others they tell me the price."

#### 5.2 ENDA's seed producing groups

As discussed in Section 3.2.3, ENDA is promoting farmer groups to undertake seed multiplication for a commercial seed company.

Two farmer groups were visited at Mutabo some 150 km North East of Harare. One group is composed of small-scale settlement farmers and the other group are communal farmers. Using on-farm trials for varieties and palatability, these farmer groups have commenced multiplication of selected seed stock. An arrangement has been reached with the Zimbabwe Seed Company to purchase the sorghum and millet produced. The standing crops are inspected in the field by company inspectors and

given a certificate. The work has progressed from trial to semi-commercial production with the farmer groups linked to the marketing company. The company sell the seed varieties within the SADDC region and this fulfils the aim of ENDA to network the seeds on a regional basis.

The small-scale farmers group was composed of 25 farmers having a committee of 8 persons. Their average farm size is 10 ha and they devote at present 0.5 to 1 ha for the certified seed production. They are intending to increase the area dedicated to seed production. In addition they grow maize and sunflower and have attempted to grow babycorn for another commercial horticultural buyer without success. The committee meets on an occasional basis when there is business to discuss. Their main topic is marketing and the identification of linkages with buyers. They do not trade and have no need of registration. They are an informal association. Their main function is liaison with ENDA and with the seed company.

The group would like to create other linkages and has tried to sell babycorn to Selby Enterprises. This company specified that the babycorn must be harvested into a cold store and then transported to their processing plant in Harare. They obtained the assistance of ARDA who have a nearby cold store. ARDA agreed to collect the babycorn and put it into cold store before transporting to Harare, requesting a 15% levy on the crop for this service. This was done in January 1996 but so far the farmers have not been paid for the crop in April. It is not clear where the payment problem is.

This committee also arranges bulk orders for fertiliser and farm inputs and hires transport to collect these for the members. This example of a farmer enterprise group illustrates how a range of activities can be organised on a non-trading basis by an informal farmers association. Linkage and liaison are their main activities.

Within the communal farming area, ENDA is working with nine farmer clubs each of 9 or 10 members, one of which was visited during fieldwork. Each farmer has a total of about 2.5 ha. and grows 0.5 ha sorghum and millet. The group has a committee which meets when necessary. The communal farmers sell maize and sunflower to private traders who buy at the farmgate directly after harvest. The committee are unhappy with the price offered which is fixed on a take it or leave it basis. They state that it is difficult for them to aggregate their harvest and sell in bulk because some farmers need urgent cash as soon as their crop is harvested. The importance of the seed crop to these farmers stems from the linkage with the seed company and the assured market with transport provided by ENDA who collect the seed from designated collection points.

The case of the communal farmers provides an example of how direct linkage with a buyer can assist groups but it also indicates some of the difficulties involved in group marketing. ENDA's support and the good price paid for seed provide strong incentives for the group to market together. But though they could probably benefit from taking a similar approach independently to marketing other commodities, urgent cash needs make bulking up difficult.

Last year the total seed produced from all groups in the five Wards was around 150 tons. ENDA charge a marketing fee for this service and deduct Z\$150 per ton which is equivalent to about 7 to 10% depending on the selling price. Some of the seed is retained by ENDA for further multiplication but the bulk is sold commercially. ENDA plan to set up some indigenous seed companies for specialisation in this type of seed. The Seed Company of Zimbabwe do not see sufficient demand for open-pollinated sorghum and millet seed to justify their more direct involvement in this business.

## 5.3 Mkwasine Sugar Estate Settlement Scheme

The settlements are in several different groups and each of these groups of settlers have formed associations or co-operatives. The main function of the co-operatives is to provide labour sharing and to own and operate tractor hire. This has been done because the settlers have been able to offer members tractor hire at lower cost than hiring from the estate equipment pool. In some cases the co-operatives have run smoothly but in other cases disputes have resulted in a breakdown of the co-operation.

Paul Kanyesi, one of the successful settlers now owning a new pick up truck and with investments off-farm says that he will probably sell his farm when titles are issued. He started without any knowledge of farming in 1982 and Mkwasine Estate provided everything for him, including Z\$100 per month for the first two years. He is a Board member of the Pole Pole Co-operative and values the support he gets for labour sharing at harvest and the tractor hire service. The co-operative own five tractors and have built a beer hall for members.

Twelve of the 191 settlers are insolvent but the rest farm with differing levels of efficiency. The estate management believe that overall they could raise the productivity by some 25 to 30% over the settlers output. One of the limitations of the scheme is that farmer have no means of expanding their land area and cannot reinvest profits in a larger operation. This has led to many of them investing in businesses outside the estate which take up management time and conflicts with their farming operations.

The Field Operations Manager responsible for the scheme says that whilst it is regarded as a success, he would redesign the approach if starting again. He would make provision for larger plots to be available so that efficient farmers could expand. He would select farmers to join the scheme on the basis of farming experience/qualifications. Original settlers were ex-combatants with little or no experience of farming. The manager also believes that the imposed discipline by the estate in the early years helped to make the scheme a success. Even today settlers have obligations regarding rules for land use and conduct of farming operations.

#### 5.4 The CARE Dealership Programme

A typical agent was visited in a village in Masvingo Province. Mrs Mutenda has run a village shop since 1983 and is one of three such shops in this large village. She was selected at a community meeting as the best person to be an agent. She is also the elected leader of a Women's garden group having 200 members growing vegetables

irrigated from a small dam which has been rehabilitated with the assistance of CARE. Her chosen stock includes compound and top dressing fertiliser, vegetable seeds, starter mash, cattle food, insecticides for garden, storage and home use, and cement. This season she has sold 80 bags of ammonium nitrate which is her best selling line.

She claims to sell only on a cash basis and is well aware of the pitfalls of selling agriinputs on credit in a drought prone area. She has already made repayments to CARE and estimates a profit of Z\$800 so far which she is keeping in a bank account to build up capital to finance her own stock. She estimates that it will require 2 or 3 more crop seasons with assistance from CARE before she can raise sufficient capital to finance the stock holding of the inputs. Her shop sells other commodities and she uses the profit on this to support her family.

She has been advised by CARE on the buying and selling prices of all her stock and has good records. She admits that for the most part customers have a good knowledge of the price for each commodity and she herself regularly checks prices at other shops in the District. She buys compound fertiliser at Z\$ 94.90 and sells at Z\$104 (a mark up of \$9.1 or 9.6% gross profit). She claims to have very little opportunity to adjust her prices because of competition.

It seems clear that the success she has had in selling the inputs is due entirely to their availability in the area where they are needed. Until now farmers had to go to the District branch of Masvingo Co-operative Union and bring the supplies back on a mini-bus if a service exists. The CARE pricing policy includes an element for transport of the supplies to the agent. The transport was arranged by CARE in the first crop season but a new supplier has been found in Masvingo who is prepared to deliver direct to the agents.

#### Section 6 Conclusions

# 6.1 Forms of group organisation: the decline of co-operatives and the significance of linkage arrangements

Two features of the agricultural sector in Zimbabwe stand out in relation to the other countries visited during the course of this research. The first is that the existence of the commercial farmers in Zimbabwe has led to the development of a much more advanced agro-industrial sector in the country; and second, from a policy perspective, the government has maintained a more active role in agricultural service provision, even under the ESAP. The relevance of the first factor is that it has provided opportunities for the development of linkages between smallholders and commercial operators, as has been well documented in previous sections. With regard to the government's role, the effect it has had may have been to discourage initiative among smallholders and emergent petty traders by perpetuating dependency on government handouts and marketing systems. These two features may be linked in that the absence of a strong marketing system may be encouraging processors to be more proactive in sourcing raw material supplies.

The main concern of this study has been with marketing services (access to output markets and input supply, including financing). In many countries farmer cooperatives have been promoted by government and donors as the best means of providing farmers with access to these services and as has been seen, Zimbabwe in the 1980s was no exception. During field work in Zimbabwe it became very clear however that many people across the agricultural sector feel that co-operatives have failed. Even the government's attitude is now purely pragmatic and it has made it clear that it will not continue subsidising loss making co-operatives.

Given this background, despite wide consultation, little evidence was available to suggest that there are many viable farmer controlled co-operatives in Zimbabwe (with the important exception of co-operatives registered under the Companies Act which are run by commercial farmers) or that major donors are continuing to support the co-operative movement. This contrasts with the situation in Uganda where large amounts of donor assistance are still going into co-operative reform programmes and in Ghana where TechnoServe, a prominent US NGO, is promoting the co-operative as an appropriate organisational form for smallholders.

The apparent absence of viable formal co-operatives in Zimbabwe, especially at the primary level, had an impact on field work. Groups identified for case study work tended to be less formal and, because their operations were much more limited and they were not trading in their own right, they were without written records, bank accounts or formal procedures.

As the case studies demonstrated, most of these groups were linkage groups, established with the private sector to link smallholders into larger production and marketing systems. Their role was primarily to co-ordinate marketing or input supply services, though if financing services were involved, as in the case of the groups under

the Cotton Company of Zimbabwe, they may have had a screening function or provided a mutual guarantee for loans.

The role of groups in representing their members' joint interests to the buyers, or even in negotiating prices, was less evident (by contrast in Uganda vanilla associations gave price negotiation as one of their key functions). From an equity point of view, this would seem a very important role. However it was not a role that buyers were necessarily keen to see developed in Zimbabwe, perhaps because of fears that it would lead to a politicisation of producers (see Hortico's comments and comments made by USAID in Harare).

# 6.2 The promotion of linkage groups

The fact that a number of NGOs have been at the forefront of this linkage process may reflect the fact that the participatory methodologies adopted by them have increased client influence in designing projects. Research conducted since liberalisation demonstrates that access to marketing services is a priority need identified by smallholders (NRI/ODI 1996).

Another explanation for the NGOs' commercial orientation may lie in the fact that support for rural enterprise, as an alternative income source for agricultural producers, has been a feature of many NGO programmes in recent years. This has sensitised them to the importance of commercial as well as production issues.

Finally, with more limited budgets than the official donors, there is much less pressure on NGOs to disburse funds, leaving them freer to develop an approach like that used by ITDG in Chivi where no material support was involved. As a result forms of community organisation and enterprise are not directed by external factors (for example a donated piece of equipment which must be managed and operated) but are intrinsic to the village and its own assessment of local priorities and capacities (and willingness to co-operate). By contrast, among official donors there are likely to be internal pressures to support projects that involve a high degree of disbursement, favouring projects where material assistance is a central component. But as the EU example demonstrated, if the organisational and financial skills are not already available in the community to manage resource inflows and there is little experience of co-operative action, the results can be very disappointing.

#### 6.3 The future role for policy makers and donors in promoting linkage groups

The evidence suggests that linkage groups will be of increasing importance in the development of smallholder agriculture in Zimbabwe, replacing co-operatives as the most common form of group organisation at the community level for agricultural service provision. With respect to the present research, this raises a number of issues.

Firstly, in relation to the formation of groups of farmers themselves, is there a role for an external agent and if so, what should this be? Zimbabwe provides examples both of groups which have formed directly in response to the opportunity presented by the

private interest (perhaps with support from AGRITEX) and of other examples where an NGO has been an intermediary.

Where NGOs have been involved, community mobilisation, the provision of marketing information and the training of group leaders have been their main activities. These activities have impacted positively on the communities involved in many more ways than through marketing linkages, as the ITDG case study indicates. But how replicable is this approach, especially where success is linked to the commitment of a few highly skilled staff?

The FAO's proposed Farm-level Applied Research Methods in East and Southern Africa (FARMESA) project should shed some light on this issue, at least in relation to agricultural research, as it will attempt to institutionalise participatory approaches. These have tended to feature more in a project or NGO environment, where levels of resources and commitment are usually higher, than within government.

Examples presented earlier in this study of the positive role played by AGRITEX in liaising between groups of farmers and private interests, especially in relation to technical issues, suggests that marketing support (though not necessarily within the community mobilisation framework of ITDG) is already to some degree institutionalised. Further developing AGRITEX's capacity to advise and assist smallholders with marketing concerns in a participatory way might be a useful role for a donor to play. The ZFU represents another institutional pathway for introducing this approach. However it is important not to underestimate the potential difficulties of introducing a participatory approach into hierarchical and under-resourced institutions. Further research on the feasibility of trying to implement such a programme is recommended.

If the government and donors were to give official support to linkage approaches, the issue of equity in farmer group/private company relationships would need to be addressed by policy makers. This is a highly sensitive issue and potential investors could easily be put off working with smallholders if they felt government was likely to try and regulate the prices paid to producers. On the other hand, government and donors cannot provide official support to forms of development which do not give proper attention to the interests of all concerned.

A further issue is cost recovery. Private companies are already benefiting from the services of AGRITEX officers through the role they play in establishing links between smallholders. Although the relationship is providing mutual benefits to producers and buyers alike, it is taking place at a time when AGRITEX is facing a financing crisis. It is unlikely - and would be undesirable from an equity point of view - that AGRITEX could continue to extend these services without devising some mechanism to recover the costs involved from the direct beneficiaries. As many of the commodities produced under linkage arrangements enter relatively concentrated marketing and processing channels (for example most export vegetables are marketed through the Horticulture Promotion Council; and the CCZ's 7 ginneries account for 80% of total throughput of raw cotton) it would be relatively straight forward for

AGRITEX to impose levies to recover costs (of course cost recovery mechanisms of this kind have fiscal implications which would have to be resolved separately).

As already illustrated, linkage type groups are not as complex in character as formal co-operatives and therefore the need for their formal legal registration is much less. However where groups become involved in financing arrangements, either through a pre-financing agreement with a private company or through a bank, the lender is likely to require the group to have some legal identity in order for the loan to be secured. What this should be is an issue which could be investigated in further research.

Leaving aside the direct promotion of farmer groups themselves, are there other roles that government and donors can play in promoting linkages between smallholders and private companies?

One form of assistance suggested by the Managing Director at Hortico was for donors to provide financial assistance directly to the companies themselves. In his view donors would get a better return for their money by channelling funds directly to those with commercial expertise rather than into projects with managers who lack this. This approach has been accepted already by USAID. One way forward would be for donors to make available venture capital funds to set up or support businesses which could demonstrate beneficial linkages with smallholders.

Another form of assistance might be with new varietal research or extension. Government would allow private sector interests to play a greater role in the prioritisation of public sector research and extension efforts. In Zimbabwe sunflower seed provides a good example of how such private/public co-operation could be very beneficial to smallholders: common sunflower varieties are very low in oil content, discouraging the processors from purchasing directly in rural areas. However with a higher oil yielding variety, farmers could offer buyers a higher value product, increasing the incentives for them to invest in better marketing arrangements in order to benefit from lower costs and increased output.

On the other hand, the direction of public resources to research and extension efforts where the benefits of such efforts are in the main captured by large commercial companies may not be very efficient from an economic point of view. The economic rationale for publicly funded research and extension is that it produces public goods, that is outputs which can be widely appropriated because exclusion is impossible. Where the beneficiary is a private interest, the use of public resources therefore acts like a subsidy. To illustrate this with the sunflower case, if a processing company had sufficient commercial incentive to promote improved sunflower varieties among smallholders, it would go ahead independently and recover the costs through the price paid for deliveries.

The World Bank, has supported the Cotton Company of Zimbabwe by assisting with funds for pre-financing growers. Other donors could make lines of credit available to companies who wish to pre-finance their growers, perhaps on slightly easier terms than the commercial banks who demand very high levels of security. However there

is no certainty that companies would be prepared to borrow at their own risk to on lend to smallholders. The CCZ has until this year operated within a single channel marketing system, facilitating payments through a stop order system. Whether it will be able to maintain its operations in the face of competition for purchases will become clearer during the 1996 buying season. Hortico is much more cautious and is not prepared to take the risk of funding hundreds of outgrowers. The experience of outgrower type schemes in Sub Saharan Africa would seem to justify this caution (Stringfellow, 1996).

In these circumstances, donors face two options: to shift the risk away from the company (by assuming more risk itself) or to develop new institutional arrangements which reduce the risk to an acceptable level. The first option discourages financial discipline by weakening the incentives for the company to strictly monitor its outgrowers and is not recommended. With regard to the second, the possibility of incorporating Zimbabwe's smallholder savings habit into a financing scheme seems to offer far more potential. Further research could investigate the feasibility of different arrangements involving smallholders, private companies and/or the banks where group savings mobilisation could be used to provide security deposits and thus reduce the lending risk to an acceptable level.

Investment by the private sector in developing marketing systems will also be encouraged by improved infrastructure in rural areas. Donor projects to develop feeder roads and small-scale irrigation systems will increase the range of commodities smallholders can grow and their ability to market them.

## 6.4 The Zimbabwe case study within the context of earlier research

The research supports important themes identified during earlier research, both during the desk study and in earlier fieldwork.

Evidence was found to support the idea that successful group enterprise appears to be closely linked to the ability of the group to insert itself into the mainstream economy. Closely related to this and despite some evidence of earlier support by official development agencies for projects without a marketing component, there does appear to be an awareness in the NGO community and increasingly among official donors that sustainable programmes require a greater emphasis on economic integration. This finding is consistent with findings in Uganda.

Capacity building in order to assist this process is also an important theme coming out of the Zimbabwe work which is common to previous case studies. Capacity building is relevant at two levels: at the level of the community itself to provide the skills necessary for effective market integration and at the level of any intermediary organisation which works with farmers. This could be an NGO although in Zimbabwe it is more likely to be AGRITEX.

In contrast to the experience of the co-operative reform programmes in Uganda and that of TechnoServe in Ghana, capacity building at the farmer group level in Zimbabwe has not involved a predetermined organisational structure. The NGOs

involved did not set out to promote co-operatives *per se*. Rather their approach has been to let communities determine for themselves what organisational structure is appropriate to their needs. In this context, and in a way similar to the approach taken by Mission Moving Mountains in Uganda, capacity building at the community level has meant giving the community the skills to determine and seek solutions to their own problems, emphasising self reliance.

Further evidence was found in Zimbabwe of the type of supply driven donor programme that has the opposite effect, undermining sustainable enterprise and self reliance. The EU Mashonaland East project provides a clear example of how material assistance can undermine effective group organisation and make demands on groups that are beyond their capacity.

The potential significance of links between farmer groups and private traders and processors identified in earlier work is amply demonstrated by the Zimbabwe experience. Key issues for policy makers and donors arising out of this experience have been identified above. Some of these require further research and in a final report for Phase I of this research, proposals to include some of these issues in research under Phase II will be outlined.

## Appendix 1

# List of hypotheses to be tested during field work following the desk study in 1994

- 1. That the promotion of Farmer Controlled Enterprises (FCE) is widely justified in the African context for the provision of financial, input supply and marketing services, but notwithstanding exceptions, are not widely justified for the development of milling, agro-industry and export-based activities.
- 2. That features usually associated with success include:
- a lack of political links
- member homogeneity
- primary organisations with between 8 and 25 members
- a clear written constitution and set of membership rules
- purely financial objectives
- broad social objectives
- a clear member-driven agenda
- a high degree of self-financing
- an absence of subsidised interest rates
- starting with a single activity
- effective structures of accountability
- financial transparency and record keeping
- strong individual leadership
- participatory decision-making
- heavy external training inputs in the early stages
- 3. That NGOs specialised in small business and/or co-operative development are generally more effective in promoting FCEs (e.g. small group savings schemes)
- 4. That financial sector reform and the establishment of a dynamic commercial banking sector are key steps in establishing effective primary level group enterprises.
- 5. That donor largesse and lack of co-ordination are significantly undermining African initiative in creating sustainable and dynamic FCEs.

## Appendix 2

Reference documents consulted during the research:

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World Bank Zimbabwe: Agricultural Co-operatives Sector Review, February 1989

**World Bank** Zimbabwe: A Policy Agenda for Private Sector Development, June 1993

## Appendix 3

# List of Institutions and Persons Met During Research

#### Government/Parastatals

Mr Gideon Tsododo, Deputy Director (Field), Ministry of Lands, Agricultural and Water Development, Department of Agricultural Technical and Extension Services, PO Box CY 639, Causeway, Zimbabwe

Tel: 794601/707311; Fax: 730525

Mr Jaure, Project Co-ordinator for Mashonaland East Fruit and Vegetable Project, and Mr Yves Couveur, Institutional Consultant to the Project, Agricultural Development Authority, 3 McChlery Ave, Harare, PO Box 8439, Causeway, Harare Tel: 705841, 700095; Fax: 705847

Mr Brighton Kutyauripo, Economist, Grain Marketing Board

#### Donors

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Mr Bo Ghol, Co-ordinator, Farming Systems Programme FAO, PO Box 3730, Harare, Zimbabwe

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Mr Donald Greenberg, Trade and Investment Advisor, USAID, PO Box 6988, Harare Tel: 793351; 720757; 720630, 721106; Fax: 722418; 720722; e-mail: dgreenberg@usaid.gov

## Farmers Organisations/NGOs

Mr Enock Chikava, National Marketing Officer and Mr Vusa Nyakaza, Economist, Zimbabwe Farmers Union, Reliance House, First Floor, Speke Ave/L.Takawira St, PO Box 3755, Harare

Tel: 737733/4, 751192, 751748

Mr Albert Vingwe, Chairman and Mr C Sadzamare, Agricultural Advisor, OCCZIM, Box 66102 Kopje, 25 Robson Manyika Avenue, Room 102, Emekay House, Harare Tel: 737663

Mr Mike Mispelaar, Director, CARE Zimbabwe, 8 Ross Avenue, Belgravia, PO Box HG 937, Highlands, Harare

Tel: 727986/7/8; Fax: 727989

Mr Clever Mazhata and Mr Jestere Manyame, Field Officers and Mr Admore Mawere, Marketing Specialist, CARE, PO Box 264, Shop No 3, Dauth Building, Tongogora St, Masvingo

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Mr Jim Emerson, Country Director, Plan International, Pvt Bag 7232 Highlands, 98 Central Ave (cnr 8th Street)Harare, Zimbabwe

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Mr Itham Mhlanga, Programme Officer, OXFAM Zimbabwe

Mr Freddie Kachote, Environment and Sustainable Agricultural Officer, Catholic Development Commission

Mr Ebbie Dengu, Country Director and Mr Kudu Murwira, Project Officer, Intermediate Technology Development Group Zimbabwe, 2nd Floor, Gorlon House, 7 Jason Moyo Ave., PO Box 1744, Harare

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Mr Davison J Gumbo, Managing Director and Mr Takawira W.Ndiripo, Programme Manager, Sustainable Natural Resources Management Division, Environment and Development Activities-Zimbabwe, PO Box 3492, 1 Waterfield Road, Mt. Pleasant, Harare

Tel: 301156/301162

Mr Lovegot Tendengu, Executive Director, Farmers Development Trust, PO Box 1781, Harare

Tel: 727441; Fax: 724523

Dr Roland Schwartz, Friedrich-Ebert-Stiftung, Harare, Zimbabwe. Tel: 263 4 723867; Fax: 263 4 723867

#### **Banks**

Mr Dell, Agricultural Officer, Barclays Bank, Zimbabwe

Mr Chiri, Departmental General Manager, Planning and Control, Agricultural Finance Corporation

#### **Private Sector**

Mr Charles Songore, Sales Manager, Small Scale Sector, Windmill Industries

Mr Clarence Chari, Senior Buyer, Lever Brothers, Cnr Lytton and Stirling Roads, Industrial Sites, PO Box 950, Harare Tel: 753700/754990; Fax: 754980

Mr P.S.Chingono, Commercial Director, Olvine Industries Ltd., PO Box 797, Harare Tel: 754556/64; Fax: 754565

Mr Stanley Heri, Chief Executive, Horticulture Promotion Council, 113 Leopold Takawira St, PO Box 1241, Harare Tel: 791881; 750754

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Mr Roland Murengwa, Buyer, Chibuku Breweries, Harare

Mr Ivan Peterson, National Quality Controller, The Cotton Company of Zimbabwe, 1 Lytton Rd, Workington, PO Box 2697, Harare Tel:739061/9, 739071/9; Fax: 708573, 753854

Mr D.Rockcliffe, General Manager, Zimbabwe Sugar Sales (PVT) Ltd, P.O.Box 2896. Harare, Zimbabwe Tel: 702885; Fax: 702889

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