

Zambia

Despite Growth, Food Insecurity Lingers

Zambia's economy has been growing consistently in recent years, with real GDP growth between 2005 and 2012 averaging over 6 percent per year. Privatization of government-owned copper mines in the 1990s increased mining output and profitability and reduced government spending to cover significant losses. Record-high copper prices helped Zambia rebound quickly from the world economic crisis in 2008.

However, despite almost a decade of strong economic growth, poverty and food insecurity affect much of the country, particularly in rural areas. Most farmers have less than three hectares of land, and the majority of smallholders produce 20 percent of what could be achieved with improved seed and inputs. Due to low production and limited off-farm income opportunities, many households go hungry even in a surplus year. Malnutrition rates are exceedingly high: 45 percent of Zambian children under age five are stunted.

Recently, the Zambian government has focused on supporting maize through input and output subsidies. While these subsidies are intended to benefit rural farming households, they fail to reach the poorest smallholders and tend to undermine



agricultural growth by distorting markets and limiting diversification. The subsidies have also led to underfunding of investment in key public goods, such as infrastructure and agricultural research and extension.

PROFIT+: Value Chains to Combat Hunger and Other Inequalities

ACDI/VOCA-Zambia was registered in June 2012 for the start of the USAID Production, Finance, and Improved Technology Plus (PROFIT+) project. The program focuses on four districts in Zambia's Eastern Province, where there is limited agricultural investment and widespread food insecurity, as well as a few districts around peri-urban Lusaka.

PROFIT+ aims to increase food security and decrease hunger through agriculture-led growth and smallholder market access as a core activity of the global Feed the Future (FtF) initiative. It builds on previous USAID-funded activities by linking efforts to enhance input supply with output markets, and promoting value-added rural enterprises related to selected value chains. Furthermore, PROFIT+ aims to maximize women's benefits from value chain development. Sustainability is key, as evidenced by PROFIT+'s staffing plan, which prioritizes the use of qualified Zambian staff and includes a transition to full local ownership of the program in year three. The program will improve smallholder productivity, expand markets and trade, and increase private sector investment in agriculture.

PROFIT+ activities began in July 2012 with assessments of five value chains: groundnuts, soybeans, sunflower, maize and horticulture. These assessments identified end-market opportunities, key upgrades required and the financial services needed to fuel investment. Throughout the process, the team strategized how to overcome unequal investment in female-run farms and low participation of women in value chain leadership roles. These initial considerations helped frame the eventual strategy that PROFIT+ has employed.

PROFIT+: Local Collaboration to Solve Supply and Demand Challenges

The program's final strategy was a result of collaboration with the private sector, beneficiaries and other local stakeholders. In particular, our facilitative approach emphasizes partnering with local organizations, firms and financial institutions, directing resources to these actors to strengthen their ability to manage operations, invest strategically and grow.

This includes dedicating \$7.1 million to the Innovation, Investment and Partnership (IIP) Fund to build the technical capacity of both existing and emerging local partners. IIP grant funds serve as a smart subsidy to stimulate growth in a given value chain. PROFIT+ investment will be slowly phased out, ensuring partnerships, innovations and trainings supported by IIP funds are demand-driven and reflect local buy-in. The project is identifying exit strategies early on to ensure that activities result in a stronger, more resilient market-based system that integrates the most vulnerable households in Zambia—another marker of ACDI/VOCA's focus on sustainability.

To facilitate access to capital and financial services, PROFIT+ is addressing challenges on both the supply and demand sides of the finance sector through local partnerships. Ultimately these interventions will increase investment in agriculture and improve value chain competitiveness. The program will also increase access to capital and expand seasonal short-term credit facility services.

This will enable private trade and commodity marketing and encourage investment in storage and processing for smallholders. It involves collaboration with local financial institutions and companies to disseminate information and deliver services to smallholders.

The goals of PROFIT+ reflect ACDI/VOCA's interest in strengthening food security and agricultural output in Zambia: the program will achieve a 30 percent increase in productivity and income from selected value chains, benefitting 200,000 smallholder farmers and processors. PROFIT+ will also catalyze \$50 million in new private sector investment and increase the value of agricultural sales by \$125 million. In addition to the 1,000 jobs in value-added processing that PROFIT+ will create.

Looking Forward

ACDI/VOCA hopes to build on current economic growth strategies that will help Zambia for years to come, particularly on the critical effort to ensure that growth and prosperity extend to the lower strata of society and are sustainable.

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