



## Zambia Agribusiness and Trade

Despite its outsized role in employment, the agriculture sector remains unproductive. The World Bank is conducting research on whether linkages between producers and buyers, technical assistance, and matching grant can improve profits and productivities of farmers and agribusiness SMEs.

In the first portion, the research team will target productive alliances, which is composed of multiple farmers and a buyer. In the second portion, agribusiness SMEs will be connected with buyers through Market Connect, which is a royalty bearing brokerage and technical assistance service for growth oriented agri-business MSMEs.

### Context

Low productivity in the agriculture sector is an issue that many developing countries like Zambia face. Zambia's agriculture sector employs more than half the country's labor force, but contributes to only 5.25% of the GDP (WDI, 2012), suggesting large potential returns to modernizing and developing the sector. This impact evaluation seeks to build upon some of the existing evidence on agricultural productivity, by focusing on two key mechanisms that underpin the sector - a lack of market access and farmer-level liquidity constraints.

The Zambia Agribusiness and Trade Project (ZATP) aims to develop the agricultural sector by making investments at critical points in the agribusiness supply chain to help relax constraints related to information asymmetries, buyer-seller coordination and capital market inefficiencies.

### Interventions

The interventions for the first evaluation are formation of productive alliances, technical assistance to facilitate the



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implementation of business plans devised by the productive alliances, and matching grant. For the second, they are customized business development and matching grants.

### Evaluation Design

#### *Impact Evaluation 1 – Productive Alliances*

Productive alliances will be formed by matching a group of eligible farmers to buyers. The formation of productive alliances itself brings together farmers and buyers, but the impact evaluation will test specific interventions that target the growth of both these alliances and their members.

The goal of the business plan is to identify and devise a strategy for improving operations and advancing mutually beneficial economic goals. Only those that pass a minimal requirement set by the project will be assigned to one of the two treatment groups or to the control.

The project seeks to include 180 productive alliances (each with 10-40 farmers) in each of the treatment arms

as well as 180 productive alliances in the control group. Each farmer group is thus a cluster, and is the level of treatment.

### *Impact Evaluation 2 – Market Connect*

This impact evaluation targets agribusiness SMEs, or firms that are involved in the agricultural sector but are not farmers themselves. Through Market Connect, the firms selected to the program will receive tailored technical assistance in relation to business development and expansion. This impact evaluation consists of two treatment arms:

1. customized business development services (comprising technical support, buyer knowledge, matching to buyers etc.
2. customized business development services and matching grant (\$10,000-\$100,000 per firm).

Approximately 550 SMEs will be randomly allocated into the three groups. The research team will investigate the effect of customized business development services on the capabilities and productivity of SMEs, and in turn how that impacts firm growth. In regards to the matching grant, the researchers are interested in whether financial assistance can help firms overcome liquidity constraints in making investments and in turn leverage capabilities in forming new trading relationships.

## **Policy Relevance**

Agri-food chains around the world, including and especially in developing countries, have been witnessing rapid transformation as a result of globalization, urbanization, and a growing middle class with increasing income. This is leading to a dietary transformation and increasing demand for high value, processed, and niche food products. This represents a huge opportunity for modernized agricultural growth and job creation for the rural households whose livelihood is primarily based on agricultural activities. For example, Bellemare (2012) shows evidence of positive welfare effects of participation in export value chains through contract farming in rural Madagascar.

However, this also represents a big challenge, given that modern procurement systems usually rely on purchase consolidation, shifts to specialized wholesalers, and tough private quality and safety standards not easily met by local producers (Weatherspoon and Reardon (2003)).

## **Materials**

### [Methodology Note](#)

## **Researchers**

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## **Research Funding Partners**

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## **References**

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