

INNOVATIVE ACTIVITY PROFILE

ZIMBABWE: AGENT PROGRAM

Six million Zimbabweans live in smallholder farming areas, and agriculture accounts for 15 percent of GDP and 70 percent of employment. In the early 1990s the agricultural input distribution and marketing systems were reformed, reducing the role of the state in input distribution. Previously, marketing cooperatives set up by the state supplied up to 70 percent of agricultural input requirements to the smallholder sector. Reforms led to a withdrawal of state funding for marketing cooperatives and the subsequent collapse of the input supply system. Extension services were also cut back. The response from the private sector was weak: input manufacturers and distributors did not supply smallholder areas due to the low aggregate demand and high costs of dealing with small and dispersed communities. Rural traders were further hindered from stocking inputs due to the absence of rural finance markets and limited access to credit. This led to reduced access to inputs by smallholder farmers, and consequently a decline in smallholder agricultural productivity.¹²

What's innovative? Creating linkages between village retailers and input suppliers using time-bound guarantees and technical assistance.

PROJECT OBJECTIVES AND DESCRIPTION

The Zimbabwe AGENT program was initially piloted in 1995 with International Fund for Agricultural Development (IFAD) funding and the support of an international NGO. The objective was to increase access to inputs for smallholders by establishing a network of rural traders providing agricultural inputs. The program was targeted at local input suppliers ("agents"), typically small-scale village retailers.

Agents are identified through nominations from the communities themselves. The NGO provides training to selected agents on input handling, marketing, finance, and bookkeeping. The trained agents place input orders with the NGO, which negotiates prices and terms with input suppliers (seed houses, fertilizer manufacturers, intermediate technology providers). The NGO then consolidates the orders and arranges bulk purchases and delivery of the inputs. The NGO underwrites 75 percent of 30-60-day credits (up to US\$2,000) provided by input suppliers to the agents, who repay as they sell the inputs to farmers. Continual monitoring of stocks is carried out. After two years of good performance, agents graduate and deal directly with the suppliers with no further involvement from the NGO. The role played by the NGO is therefore in the initial identification of suitable agents, the provision of training, and the fostering of linkages between the agents and input suppliers through the provision of financial guarantees.

BENEFITS AND IMPACTS

The current performance of the program is encouraging. By late 2001, 580 agents had been trained with 60 percent of these having graduated and are now working in the private sector distribution network.

Several benefits accrue to smallholders. Inputs are now readily available and cheaper to purchase, due to lower transportation costs and bulk purchases made by the NGO. The increased variety of available inputs gives farmers a greater choice. And, farmers benefit from the agents' advice on the appropriate selection and use of inputs. Surveys show that the poorest farmers constitute the principal client group of the agents.

The program has not been restricted to recurrent input expenditures, but has also increased

¹² CGAR, "Agricultural Microfinance Case Study: CARE Agent Program" (case study presented at the Rural Enterprise and Agribusiness Promotion workshop, CARE Canada, March 11-13, 2002).

access to intermediate production technologies, such as machines to make peanut butter, oil presses, small-scale irrigation equipment, and hand tools. This allows farmers to increase productivity and on-farm value-added.

Agents benefit through increasing their stocks and turnover and increasing incomes. Suppliers are able to access the smallholder market with relatively low initial risk-taking, and thereby increase sales and profits.

LESSONS LEARNED AND ISSUES FOR WIDER APPLICABILITY

The AGENT approach is successful because appropriate incentives are in place for all participants:

- The benefits to input suppliers and agents are clear, and create favorable conditions for developing strong business relationships. Requiring agents to pay their own training costs increases their commitment to the success of the program.
- The NGO input is strictly time-bound with a clear exit strategy, preventing complacency or dependence of the agents and/or the input suppliers on the NGO.
- The agents themselves monitor the program. They are given training and are required to maintain records of their customers. This enables the NGO to estimate better the level of outreach to target groups.

The scheme has already created considerable interest and demonstrated its potential. The model has been taken up by the largest manufacturer of fertilizers in Zimbabwe, which has launched its own input distribution.

Markets that operate in the absence of excessive government intervention are critical to the success of the scheme. For example, fixing the price of inputs can undermine the system. The Zimbabwe scheme has also come under pres-

sure in recent years due to shortages of foreign exchange in the economy. This has hindered input suppliers' access to raw materials for manufacturing fertilizers.

Increasing the productivity of agriculture leads to higher farmer incomes where there are opportunities for marketing their produce. This implies a need for a strong private sector presence, and supportive infrastructure and public institutions.

PROJECT COUNTRY: ZIMBABWE

Project Name	AGENT Program
Dates	1995 to present
Contact Point	Goldon Mahove, CARE Zimbabwe