

**PROCEEDINGS OF THE  
ACF/FSRP HORTICULTURAL MARKETS DEVELOPMENT WORKSHOP  
Held on 2<sup>nd</sup> July 2010 at the Pamodzi Hotel, Lusaka**

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## **1. INTRODUCTION**

This workshop was organised to initiate sharing of empirical information about fresh produce markets in Zambia among various stakeholders, as a basis upon which decisions and actions to improve or develop the sector can be made. The workshop was opened by the Minister of Local Government and Housing, Honourable Dr. Eustarckio Kazongo, MP, and attended by a cross section of stakeholders<sup>1</sup> including the Mayor of Lusaka and 5-6 city councillors, the Town Clerk of Lusaka and representatives from the Ministry of Agriculture and Cooperatives, Ministry of Local Government and Housing, Lusaka City Council, the University of Zambia, the Japanese International Development Agency, the African Development Bank, the World Bank, the Swedish International Development Agency, the European Union and a farmer and a broker from Soweto Market (the main wholesale market in the city and the country as a whole)..

In his opening remarks, the honourable minister said that Government has always regarded horticulture as a priority non-traditional export sector and has put in places policies facilitating its growth. This, however, involved only a few players who belong to the Zambia Export Growers Association. He expressed concern that while a lot was known about the export horticulture sector, little was known about the domestic sector which involved more people and had larger potential for rural income growth. Information about the performance of this sector needed to be generated in order for it to be developed.

He further highlighted to the participants that since fresh produce was largely produced in rural areas and consumed in urban areas there was need for better rural-urban linkages through effective markets. Considering that more than 90% of the fresh produce consumed in urban areas is accessed through the traditional market system, there was need to improve this system especially at wholesale level. He reiterated Government's concern about the deplorable conditions of these markets and challenged his ministry staff as well as those of City Council to strive to remedy the situation. He emphasised that his ministry was willing to work with other stakeholders in developing specially designated fresh produce wholesale markets in major cities of the country which could later be linked to regional markets, within the public private partnership (PPP) framework. He expressed gratitude that the policy, legal and institutional frameworks under which such investments can be implemented have already been put in place by Government. The honourable minister ended by emphasising that these developments need to go beyond the traditional infrastructural development to include increased private sector ownership and management of these markets.

Reacting to the honourable minister's remarks, Mr. Chance Kabaghe, Director of FSRP, expressed gratitude at the minister's ability to take time off his busy schedule to open the workshop and promised the minister that stakeholders in the sector will rise to the challenge to develop horticultural markets and indeed the sector as a whole. He further stated that the anticipated outcome of the workshop was concrete ideas on the way forward with regard to these issues. He promised the honourable minister that stakeholders would not let the

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<sup>1</sup> The full list of participants is attached in the annex.

Government down in this regard as especially the PPP policy and legal framework was in place.

Mr. Kabaghe then invited the honourable minister and workshop participants to watch a short video documentary depicting the status of fresh produce markets in Zambia. The honourable minister, after the video, agreed there was no exaggeration with regard to the physical conditions of the fresh produce wholesale markets depicted in the documentary and again, challenged stakeholders to work with his ministry staff and the City Council to address these issues. At this point, the honourable minister left to attend to other pressing issues. The workshop proceeded to have three presentations each of which was followed by a plenary discussion. The workshop ended with a panel discussion on key issues which was also followed by a plenary discussion on resolutions on the way forward.

## **2. KEY CHARACTERISTICS AND MAIN CHALLENGES IN ZAMBIA'S FRESH PRODUCE SYSTEM; By Mr. M. Hichaambwa and Dr. D. Tschirley, FSRP**

The presentation centred around eight key characteristics and challenges in Zambia's fresh produce system, namely:

- fresh produce presents income generating opportunities for land constrained farmers, but these opportunities are largely missed in Zambia;
- those farmers that do supply Lusaka with fresh produce have direct access to markets;
- yet benefits of direct access are reduced by the way in which brokering operates;
- Soweto Market dominates fresh produce marketing in Lusaka and whole country, yet physical conditions are deplorable;
- very high price variability, driven by even higher variability in quantities arriving on the market, harms farmers and consumers;
- margins from wholesale to retail are high, but retailers are probably not earning a lot due to small scale of operation and high unit costs;
- market share of the modern market system of fresh produce is very low; and
- investment in developing the traditional market system must emerge from private-public collaboration.

The participants were earlier informed that FSRP has generated a wealth of data/information which is available for sharing with stakeholders but was only limiting the presentation to these few issues.

Issues arising from the presentation were:

- *Improved markets raise prices beyond the reach of most customers:* Concern was raised on the tendency of prices rising beyond the reach of most of the common people when markets are improved and that customers tend to buy from traders operating from outside rather than inside the improved markets because of higher prices inside. It was clarified that the focus here is the extremely poor physical condition of fresh produce wholesale markets the situation of which needed addressing. Development of appropriate fresh produce wholesale markets does not imply erection of large and expensive structures but putting up basic infrastructures including a concrete slab to facilitate cleaning and drainage, designated traffic entry and exit points, loading and off-loading bays and storage space among others which need not be costly. The issue of customers preferring

to buy from outside the markets on account of lower prices was disputed and it was actually explained that it was the traders who tended to move to where the customers were. In addition, it has not been established, due to lack of data, that there was more trading outside than inside the markets.

- *High wholesale-retail margins yet low income for traders:* Clarification was sought on how traders can have high price margins (26 – 68%) and yet have low earnings. It was clarified that these margins were based on differences in wholesale-retail prices without taking into account other costs. The costs per unit are highly inflated by the small volumes that these traders deal in. For example, experience in the markets has shown that it can take about three days for a trader to sell a crate of tomato (27 Kgs), and that most of traders by and large live modest lives.
- *Procedures to enter into the PPPs by the city council:* Some participants wanted to know the processes or procedures required by the city council to update the PPPs for markets. The Town Clerk explained that this issue hinged on the value of the area in which to invest, the value of proposed structures and the period in which to recoup the investment. The cardinal point is that the standard/value of the proposed structures (including markets) must match the standards of the area in which they are proposed to be put up. The development can then start as soon as funds are available as long as this has been approved by the City Council. He further explained that the City Council has been involved in PPPs in markets such as Kamwala and Chachacha which have been successful except that lease periods given to some markets are very long which has raised concern from some sectors of the public. These would be discussed with a view to review them. The revision will be based on lessons from the experience of the University of Zambia which has developed structures within the campus on PPP arrangements. The Town Clerk urged people with money to build markets to approach the City Council discuss their proposed investments especially that the regulatory framework is in place. It was noted that the regulated period of leasing markets under PPPs is 14 years, though the council could seek authority from government to enter into lease periods longer than 14 years. The PPP Act does not limit the lease period.
- *Origin of the extremely poor physical conditions of the fresh produce markets and how they compare to other countries such as Kenya:* It was explained that the reasons why markets are in poor condition varies from country to country. However, the main explanation could be low incentives for local authorities to clean and maintain the markets and to manage revenue efficiently and transparently, resulting in degraded physical facilities and lack of needed new investment. At the root of the problem is regulatory structures that severely limit private sector participation. Investment here does not necessary mean heavy investment in super structures but investment that would put up a moderate structure with basic needs of fresh produce wholesaling.
- *Regulatory framework under which brokers operate:* Participants noted the chaotic nature of brokering activities at the Soweto Market and some wondered whether there was no regulatory framework under which brokers operated. It was confirmed that brokers do not operate under a regulatory framework. All produce in South Africa Johannesburg market has to be sold through a broker and all brokers are registered and have to operate under a regulatory framework in place. The fresh produce markets in Kenya also operate through brokers though Kenya also has no regulatory framework. The regulatory framework

needed to properly govern broker behaviour is one of the issues that the FSRP can look at.

### **3. THE AFRICAN DEVELOPMENT BANK'S INVESTMENT PRIORITIES IN ZAMBIA'S HORTICULTURE SECTOR; By Mr. L. Bangwe and Mr. C. Banda, ADB**

This presentation gave a brief overview of the formation of the bank and a genesis of its programmes in Zambia. That the bank's support is globally defined in Medium Term Strategy (MTS) for the period 2008 – 2010 and was adopted in line with JASZ (2006 – 2010). Current loan portfolio and support to agriculture sector including future support through Country Strategy Programme/Sixth National Development Plan/Comprehensive African Agriculture Development Programme framework emphasising public-private sector partnerships in investments were highlighted.

Issues arising from the presentation were:

- *Ownership and management of the marketing infrastructure for the Ministry of Agriculture and Cooperatives (MACO) which the ADB helped fund in Eastern Province:* It was learned that the ADB funded market structures (in five districts) were started under the Agriculture Investment Support Programme in 1996. At the time it was not clear how MACO wanted these structured managed, but it has been realized at the moment that MACO and other stakeholders should work with local authorities on how these should be managed. The ministry is currently looking at PPP and using the council as options for managing these investments. All concerned have learned that the ownership and management of such investments should be clear from the outset.
- *Option for the ADB to work with local authorities:* The workshop learnt that the bank is ready to work with all institutions whether they be public or private. However public institutions such as local authorities need to have Government support and guarantees through the Ministry of Finance and National Planning. An example of a project where the bank is working with local public utilities is the Nkana Water Supply and Sanitation Project and Lukanga Water Supply and Sanitation.
- *Period of access to ADB loans and interest rates private sector:* It was learnt that the interest rate charged for private sector loans depend on the category in which the investment project fell: the interest rate on libor basis can be in the range of 1.5% to 5%. That of Blue chip can be 1% and Greenfields can range from 3 to 4%. Submission of complete filled up proposal is cardinal for accessing the loan early. Normally the Board of Directors meets every month to review the proposals.

### **4. OPTIONS UNDER CONSIDERATIONS FOR IMPROVING FRESH PRODUCE WHOLESALING IN LUSAKA; By Mr. P. Chipasu, Lusaka City Council**

The presentation started by outlining the current management arrangements of markets within the framework of the Markets and Bus Stations Act and highlighted the current situation for fresh produce wholesale markets in the city. The presentation later brought out the main

challenges facing these markets before pointing out options for improvement which emphasised encompassing of the PPP concept in ownership and management.

Issues arising from the presentation were:

- *Poor management of the storage facility at the new Soweto Market:* The workshop learned that the City Council leased the facility to a private trader at ZMK30 million per month through open tender. This trader has not made any innovations to attract customers leading to it being largely under utilized and the City Council is planning to repossess it. This is the facility which was meant for fresh produce storage at the design stage of the market. It was agreed requirements for fresh produce wholesaling were not taken into account as this facility was just meant for fresh produce storage. It is currently used to store anything.
- *Independence from political interference of the city council in managing markets:* The local authority runs the markets using the policy guidelines in the Markets and Bus Stations Act and therefore, running of the markets is as transparent as possible. It was however acknowledged that there is a lot of interference from political cadres in the running of council owned markets unlike cooperative markets. There is not much political will to resolve this problem. This and the fact that the problem is less in cooperative markets emphasises the need for PPP approach in the management of markets.
- *Safeguards for ensuring transparency when the city council is implementing PPPs:* These are to be guided by the policy and legal framework which is now in place. Decisions on such matters are transparent and all have to be passed by full council meetings.
- *Very high rentals in new Soweto Market:* Rentals in the market vary according to the type of shop and normally range from ZMK2,000/day through ZMK100,000 to ZMK300,000 per month with depots going for ZMK850,000 per month.
- *Proportion of fresh produce wholesalers that can be accommodated in the new Soweto Market:* About 25% of wholesalers can be accommodated in that market. However, the offload bays are not developed

## 5. PANEL DISCUSSION

The discussion was led by a panel of four from among workshop participants, including a university lecturer in horticulture, a farmer and two officers from the Lusaka City Council (Director, Housing and Social Services and Manager, Markets Unit). The main panel was followed by plenary on two issues:

**Issue 1:** What are the most pressing challenges facing Zambia's horticulture sector?

- Lack of leadership to articulate issues affecting the horticultural sector. The Zambia National Farmers' Union deals with a myriad of commodities and is not doing enough for the domestic horticultural sector.
- Lack of quality standards which encourage better management and lead to better returns.
- Low volumes of trade which is largely as a result of imperfect markets discouraging production.

- Limited access to finance across the whole supply chain.
- Lack of training on pertinent issues across the supply chain.
- Inadequate consultation on design of market infrastructure (farmers or first sellers are largely not included in the planning and management of markets).
- Lack of City Council owned land to develop new markets. Any new markets will need to involve the private sector which owns most of the land in the city.
- Poor and uncontrolled brokerage activities which cause resentment among farmers and loss of revenue for the City Council to develop, manage, and maintain the markets. Compare this with the Johannesburg market where the market gets 5% and the brokers 7.5% and in Soweto where brokers get all the 20%.
- Poor management capacity of market boards.

**Issue 2:** What are the highest priority actions that government and private sector need to take to address these challenges?

- Formation of a task force or association to spearhead the development of the sector.
- Development of appropriate fresh produce wholesale markets in major cities
- Develop a proper and regulated brokerage system in wholesale markets
- Implement the PPP concept at all levels of market development, i.e. infrastructure development, ownership and management.
- Funds allocated for the development of irrigation projects need to be applied across the whole supply chain rather than at production alone. These projects are after all bound to fail if markets are not functioning well.

## **6. RESOLUTIONS ON WAY FORWARD**

Based on the above activities and discussions the workshop resolved that the workshop proceedings will be circulated to all participants. FSRP will then call a meeting with the purpose of forming an interim committee of a new **Zambian Horticulture Association** (or any other name that will be agreed upon). The interim committee would from then on steer activities initially focused on:

- Elevate the discussion of these issues at policy level (Permanent Secretaries and Ministers).
- Engage cooperating partners and see what support they can provide.
- Learning experiences on development of fresh produce wholesale markets from the region.

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