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# EVALUABILITY ASSESSMENT OF PROFIT ZAMBIA

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**Don Snodgrass**

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**TO:** Jeanne Downing, Zan Northrip, Andrea Chartock, Elizabeth Dunn,  
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**FROM:** Don Snodgrass and Gary Woller

**DATE:** December 2005

**SUBJECT:** Evaluability Assessment of the PROFIT Zambia Project (November 12 to 26)

The main objective of our recent trip to Zambia<sup>1</sup> was to conduct an evaluability assessment as a first step in planning an impact evaluation for the PROFIT (Production, Finance and Technology) Project, which began in June 2005 and runs for five years with a budget of \$15 million.<sup>2</sup> This memo summarizes our findings. While in Zambia, Gary also conducted a data quality assessment of four PMP indicators at the request of Dann Griffiths, Economic Growth Team Leader of USAID/Zambia.

**Background:** Zambia is a low-income, landlocked country in Southern Africa. Its population of about eleven million occupies a land area slightly larger than Texas. After achieving independence in 1964, Zambia conducted a long and economically disastrous experiment in African socialism, which reduced per capita income by two-thirds. In 1994 the government began a privatization and liberalization process, which eventually brought about a measure of economic revival. GDP growth rates exceeded 5% in 2003-2005, largely because Zambia's privatized and rehabilitate copper mines were able to take advantage of favorable prices on the international market. Other responses to the liberalized business environment have been evident from both domestic and international investors. Zambia has also benefited from the diversion of investment, commercial farmers, and tourism from its unstable neighbor, Zimbabwe. Remaining problems include a lingering socialist mindset in some quarters, aid dependency (experts argue that food aid is excessive and significantly weakens incentives for domestic production of maize and other foodstuffs), an appreciating exchange rate (Dutch Disease attributable to high copper prices and large-scale aid), and an adult HIV/AIDS prevalence rate of 17%, which has reduced life expectancy to less than 40 years. Private sector development of the sort promoted by PROFIT offers Zambia opportunities for raising productivity and competitiveness and thus improving welfare for its poor, who make up at least 70% of the population. Land and water available are available to sustain the expansion and upgrading of smallholder agriculture if technical and incentive problems can be solved and suitable market linkages worked out.

**Persons Interviewed:** As indicated in the attached list, we met with a range of individuals, including PROFIT staff members, representatives of organizations involved in the implementation of the project, survey research firms, and U SAID/Zambia staff. These interviews and meetings helped us to better understand the PROFIT project and the setting in which it is being implemented. Together with project staff, we selected three areas of intervention to include in the impact assessment, constructed and verified causal models for each of these three areas, and discussed the planning, design, and uses of the impact assessment.

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<sup>1</sup> Don was present in Lusaka Nov. 5-12, while Gary was there Nov. 6-19.

<sup>2</sup> This figure includes \$5 million budgeted for local grants. Of this total, \$400-450 thousand will go to CHAMP, a local NGO that works on HIV/AIDS; the balance will be disbursed as small innovation grants. The prime contractor for PROFIT is the Cooperative League of the USA (CLUSA); International Development Enterprises (IDE) and the Emerging Markets Group (EMG) are sub-Contractors.

**Uses of the Impact Evaluation:** The goals of the PROFIT project are to:

1. Improve the competitiveness of selected industries in which large numbers of SMEs participate and might benefit;
2. Foster the sustainability of competitiveness to enable firms and industries to respond to market demands, both in the short and long run;
3. Increase the breadth and depth of benefits at the industry, MSE, and household levels.

In doing so, PROFIT aims to apply the following intervention principles:

- **GOAL:** Assure the competitiveness of the whole industry over time while assuring that growing numbers of MSEs contribute and benefit;
- **METHODOLOGY:** Foster a greater role for the private sector and a more strategic role for governments, donors, and project implementers – who should act as market facilitators, rather than players;
- **FACILITATION:**
  - Foster increased industry and firm capacity to learn, innovate and change to compete effectively;
  - Sequence intervention options that look first for “light touch” and progressing to the last option of PROFIT funds used to buy down excessive risks;
  - Adhere to a carefully planned exit strategy, so that impacts are sustainable.

PROFIT is a good example of the new generation of private sector development projects and is being implemented in an important African setting. Impact assessment of its effectiveness in achieving its goals at the value chain, MSE, and household levels will generate information that can be used by USAID/Zambia, other African missions, USAID generally, and other donors to gauge the effectiveness of this approach and help to inform decisions about the design of future projects. In addition, the design of the impact assessment will be integrated with the project’s performance monitoring system to ensure quick feedback of some findings to project management and may enable them to modify their approaches to improve project performance.

**Design of the Impact Evaluation:** As in other countries, the PROFIT impact assessment will employ a longitudinal, quasi-experimental design based on a mixed method approach. A sample of project clients and a comparable group of non-clients will be surveyed twice, with a two-year interval between surveys. Data from these surveys will be supplemented by qualitative information collected before, during, and after the two surveys. Impacts will be measured at the value chain, MSE, and household levels. The impact evaluation will be designed by the two of us in consultation with PROFIT project staff, the local research partner (to be selected), and members of the AMAP Component D team.

PROFIT has identified several sectors as areas of definite or possible intervention. These include cotton, tourism, livestock (beef and poultry), non-timber forest products (especially honey), paprika, and horticulture tied to tourism. Other opportunities for intervention may be identified through market scanning. After discussion with PROFIT staff, three areas were selected for inclusion in the impact assessment: cotton, beef, and an effort to build up the input supply network at the retail level for smallholders in a variety of sectors. Cotton and beef were selected because they are activities that involve large numbers of smallholders (200-300 thousand in each case) and because casual models for PROFIT’s interventions are relatively well defined at this

stage. Honey also met these criteria, but after discussion a PROFIT innovation — input supply at the retail level — was preferred as the third area to be covered by the impact assessment because it is a novel activity that will add variety to the body of findings of our Component D impact assessments. Cotton has good export potential and existing market linkages that can be further strengthened. Beef production has weaker market linkages, is severely hampered by disease, and needs substantial upgrading. Short-run export potential is limited to the larger commercial operations. Leather also has export potential, but its realization depends on development of the beef industry. Most small farmers use cattle more as a store of value than as a commercial product; to induce them to regard livestock more as a product and source of income, attractive alternative savings vehicles may need to be devised. The cotton sector has a good lead firm (Dunavant), which contracts with farmers and provided embedded services. However, the largest beef marketer (Zambeef) is only interested in acquiring beef and does not provide services to farmers.

**Causal Models and Plausibility of Intended Impacts:** Considerable time was spent with PROFT project staff during our visit working out causal models for each of the three activities selected for inclusion in the impact assessments. The three causal models are attached to this memo. They serve to clarify the links between project activities (primarily facilitation), project outputs (services rendered), outcomes, and impacts. Based on these causal models and our interviews and observations of the project, we think that there is a plausible link between the project activities and the intended impacts on sub-sector growth and competitiveness, firm-level growth and productivity, and income increases and poverty alleviation at the household level.

**Picking participant and control groups:** Each of the three areas of project activity selected for inclusion in the impact assessment will take place in specific geographic locations that can be surveyed to determine who is participating in the project and, potentially, what the impacts on their firms and households have been. Since cotton growing, livestock rearing, and retail input supply are all widespread activities, there is an abundance of potential control groups available. PROFIT cotton interventions will take place in Central and Southern Provinces initially, and later in Eastern Province. We identified Mumbwa District in Central Province as the best site for the participant sample and Kaoma (also Central) as a good match for the comparison group. Beef interventions will also be in Central and Southern Provinces initially and later in Western Province. Monze District in Southern Province would be a good participant site, while Choma District in the same province would be a good control site. Retail service interventions will take place in Central and Northwest Provinces. Comparisons could be made by pairing Mkushi (Central) with Chongwe in Lusaka Province. Alternatively, the project will decide whether to intervene in Choma or Monze District in Central Province; once the decision is made, the district selected could be used as the participant group and the other as the comparison group.

In picking districts for inclusion in the survey, attention was paid to the potential cost of field operations, as well as to the need to avoid having to work in too many languages. The selections proposed above will require the use of three languages: English, Bemba, and Tonga. Questionnaires will be written in English, translated into Bemba and Tonga, and then back-translated to ensure accuracy.

**Zambian Research Firms:** Gary interviewed four Zambian research firms assess their suitability as local research partners for the impact assessment (see notes below). His preliminary finding is that all four firms<sup>3</sup> appear qualified to carry out the baseline survey and related qualitative work. One of the four, DCDM Consulting, is probably superior to the others, but may

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<sup>3</sup> RuralNet, Associates Orion Light, DCDM Consulting Ltd., and Robins Development Associates Limited.

also be more expensive. A substantial research and surveying capacity appears to have been built up in Zambia in response to demand from the many donors and NGOs working in the country. Additional information has been requested from all four companies.

**Next Steps:** We need to compile a detailed research plan and tender for the role of local research partner. We also need to clarify budget parameters; it is our understanding that the project can contribute \$20-30 thousand toward the cost of the impact assessment. Based on discussions with PROFIT staff and weighing conflicting considerations for the sectors to be covered, April would be the best month in which to carry out the baseline survey.

**Comments:** This appears to be an excellent opportunity to carry out an impact assessment that will enable us to test IA methodology in an important type of setting and shed light on the effectiveness of new-model private sector development programming. PROFIT staff members appear enthusiastic about the IA and local research capacity seems adequate on initial appraisal.

**INTERVIEW LIST FOR ZAMBIA PROFIT  
EVALUABILITY ASSESSMENT**

**NOVEMBER 5-19, 2005**

**D. SNODGRASS AND G. WOLLER**

**PROFIT STAFF**

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Steve Haggblade, Professor of International Development, Michigan State University

**USAID/ZAMBIA**

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**DCDM CONSULTING LTD**

Sipho P.M. Phiri, Managing Director

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Gelson Tembo, Managing Director

**ROBINS DEVELOPMENT ASSOCIATES LIMITED**

Munshimbwe Chitalu, Managing Consultant

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Dennis Chiwele, Development Consultant

Stephen Tembo, Development Consultant

**PROFIT PROJECT CAUSAL CHAIN: COTTON**

Activities (facilitation)	Outputs (service delivery)	Outcomes	Impacts
CFU farmer training (conservation farming) ☐ TOT (lead farmers) ☐ Incentivized farmer extension ☐ Demo plots	# of trainers & farmers trained # of demo plots	Rising % of land under CFU Rising yield/acre in served areas Improved quality of cotton Rising % of land receiving proper early preparation	<u>Sub-sector level</u> Increased competitiveness Ability to sustain competitiveness More financial providers
Facilitating commercial delivery of sector-specific fee services (spraying, tillage, weeding) ☐ Identify potential suppliers ☐ Promotion ☐ Linkages	# of commercial service providers # of linkages	Decreased production cost/ha. Improved soil quality Increased secondary cropping More land sprayed Increased revenue for service providers	<u>Firm level</u> Increased sales Increased revenue/ha.
Sector-specific market information & training provided by SMS & radio	# of services available on system # of people using service (dialing cell phone) Hours of radio programs on Farming practices	Better farmer knowledge of market opportunities & cultivation practices Increased use of appropriate tillage service	<u>Household level</u> Rising income Increased sales of secondary crops Declining poverty Increased assets
Reform incentive structures of firms to encourage quality & high yields	System reformed	Increased investment Increases in secondary crop yields Increased diversification of services Decreased cost of inputs More financial providers	

**PROFIT PROJECT CAUSAL CHAIN: BEEF**

Activities (facilitation)	Outputs (service delivery)	Outcomes	Impacts
<u>Vet services</u> ☐ Organize group payment mechanism for communities ☐ Facilitate service delivery structure based on herd plans ☐ Facilitate a vet network (professional association?) ☐ Business expansion model (work with vet assistants) ☐ Company to offer livestock insurance (packages with services)	# of private vets providing services # of animals receiving health care (especially preventive) #of vets organized into networks # of vet assistants # of insurance policies established	Decreased mortality & morbidity Increased value/animal Differential pricing by quality Increased # of vet services provided (growth of vet industry) Increased # of smallholders accessing financial sector (decreased risk of loss) Improved margins	<u>Sub-sector level</u> Output growth by value & volume Growth (in volume & value) of output going through formal structure Growth in smallholder output share Growth of exports Increased smallholder price relative to commercial price Improved ability to withstand shocks
<u>Market transparency activities</u> ☐ Facilitate establishment of blind auctions with scales ☐ Facilitate grade & standard pricing at abattoirs ☐ Link smallholders to feed lot systems (if the other 2 work) ☐ AI, breeding services through vets ☐ Facilitate wholesale distribution of vet drugs ☐ Possibly savings alternatives for smallholders ☐ Possibly linkage of tanneries to abattoirs	# of auctions established # of scale services available Grades & standards pricing structure established # of feed lot outgrower systems established # of cattle sold at feed lots # of new bulls sold # of stud service transactions/AI Sales volume of drugs sold through vets & retail stores Use of savings instruments # of vets given business training #of cattle sold through more transparent mechanisms	Improved animal quality Decreased mean age at slaughter (increased stock turnover) Increased awareness of market requirements among vets Shift from cattle as a store of value New vet entrants & vet assistants New entrants into beef industry (more balanced market shares)	<u>Firm level</u> Increased sales Increased profits Higher productivity  <u>Household level</u> Rising income Declining poverty Increasing assets

**PROFIT PROJECT CAUSAL CHAIN: RETAIL INPUT DISTRIBUTION**

Activities (facilitation)	Outputs (service delivery)	Outcomes	Impacts
<p><u>Retailers</u></p> <p>Expansion model development using:</p> <ul style="list-style-type: none"> <li>⊃ Wholly owned stores</li> <li>⊃ Agent network</li> <li>⊃ Modified franchises (corner of store)</li> </ul> <p>Incentivize marketing of inputs (according to model)</p> <p>Work with agents &amp; retailers on market research</p> <p>Work with larger retailers to ensure right inputs are being distributed and right inventories kept</p> <p>Facilitate transparent contracts between wholesalers and retailers/franchises (clear responsibilities repayments, dispute resolution)</p> <p>Work with Farmers' Union on dispute resolution</p> <p>Work on marketing programs of retailers &amp; agents</p> <p>Facilitate agents' access to training (or may have to provide directly in some places)</p> <p>Later, will promote dealer networking (horizontal linkage); may help dealers access financial services</p> <p>Monitoring</p> <p>Work with seed, chemical, etc. producers &amp; pushing them into the distribution network</p> <p>Facilitate outgrower schemes for Seeds</p>	<p># of retailers signing MOUs</p> <p># of agents &amp; franchise stores</p> <p>Incentive scheme in place</p> <p>Agreements signed between retailers &amp; agents</p> <p>Marketing/inventory plans completed</p> <p>Market research conducted</p> <p>New dispute resolution mechanism in place</p> <p># of dealers in networks</p> <p>Linkages to wholesalers/ large producers established</p> <p># of outgrowers</p>	<p>Increased sales at wholesale &amp; retail levels:</p> <ul style="list-style-type: none"> <li>⊃ Among clients</li> <li>⊃ In the sector</li> </ul> <p># of farmers accessing retail services</p> <p>Increase in knowledge</p> <p>Marketing activity launched by retailers</p> <p># of retail outlets</p> <p>Decreased cost/unit of inventory</p> <p>Increased access to finance from seed companies &amp;/or banks</p> <p>Smooth functioning of dispute resolution process</p> <p>Increased knowledge about business &amp; markets</p> <p>Increased used of inputs on farms</p> <p>Increased production of inputs (seed, chemicals)</p> <p>Reduced cost of inputs</p> <p>Reduced transportation cost for farmers</p>	<p>Increased farm yields &amp; production</p> <p>Increased farmer income:</p> <ul style="list-style-type: none"> <li>⊃ At the farm level</li> <li>⊃ In the region</li> </ul> <p>Improved household welfare</p>

## RESEARCH FIRM SELECTION CRITERIA

1. Has substantial experience with the logistics of running large-scale surveys.
2. Has a team of trained and experienced enumerators on staff or on call (e.g., not relying on inexperienced university students).
3. Able to mobilize survey teams in Central and Southern Provinces, with enumerators able to conduct interviews using the local languages.
4. Experienced with conducting detailed, socioeconomic questionnaires (i.e., questions on household income and microenterprise variables).
5. Experienced with conducting face-to-face interviews with Zambia's poorest populations.
6. Experienced with the analysis of longitudinal impact data.
7. Able to place a qualified researcher in charge. This researcher must be willing and able to work closely with the project evaluation team and provide informed research input.
8. Willing to commit to a longitudinal study.
9. Willing to participate in, and take technical direction, from the PROFIT Project impact assessment team.
10. Able to provide references and contact information for similar projects completed in the recent past.
11. Committed to high quality work as evidenced by adoption of strong and systematic monitoring and quality control mechanisms for data collection, data entry, data management, and data analysis
12. (Optional) Able to provide a qualified and experienced qualitative researcher to conduct mid-term qualitative research.

