

Global Project „Promotion of Agricultural Finance for Agri-based Enterprises in Rural Areas “(GP AgFin) in Zambia

Part of the special Initiative “Transformation of Agri-Food Systems” and part of the GIZ Agriculture and Food Security Cluster in Zambia

The challenge

The agricultural sector of Zambia only accounts for 7% of the Zambian GDP, although it employs 55% of its population. In Zambia there are almost 1.5 million farms. 93% of these farms have a size less than 5 ha and have no or only limited access to markets. In addition, 56% of farmers do not have access to formal financial services and 40% of farmers are completely excluded from financial services (Finscope, 2020). This hinders farmers to invest in agricultural production, processing, and marketing to further develop their business. Zambian Financial Institutions offer almost no financial services, which are adapted to the needs of the agricultural sector. Banks and microfinance institutions are rarely present in rural areas and perceive the expansion of their services in the agricultural sector as risky and expensive.

To put Zambia's agricultural potential into use, an important factor is to provide sufficient finance to farms and agri-based enterprises. This requires financial services that are geared towards financing productivity and enhancing investments along the agricultural supply chain.

The Global Project “Promotion of agricultural finance for agri-based enterprises in rural areas” (GP AgFin) supports selected financial institutions in the development of financial services adapted to farmers and agri-businesses needs and provides trainings for management and staff on the specifics of the agricultural sector.

Additionally, to prepare farmers and agri-based entrepreneurs for formal access to financial services, they are trained to economically analyze their business and to evaluate their financing options. The project is one of nine GIZ projects in the agriculture and food security sector in Zambia.

Commissioned by	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ)
Lead government partner	Ministry of Agriculture (MoA)
Implementing partners	Financial institutions including saving and credit cooperatives, farmer organisations, government institutions and private sector companies
Project region	Primary focus on Eastern, Southern, Luapula and Central Provinces
Target groups	Farmers, farmer organizations, agri-based enterprises and financial institutions
Duration	01/ 2016 until 07/2025

Our approach

The heart of the GP AgFin approach is the analysis of selected value chains (e.g. dairy or fish or soya) to develop the business case for both the farmers and agri-based enterprises and the financial sector. This analysis is done with farmers and financial institutions joining their views and thoughts on financing needs, prospects of income and costs and risks associated.

Based on this follows the development of financial products together with the financial institutions supported by our projects agricultural and finance experts. To grow the agricultural



L.: Female training conducting a session on Digital Financial services during a GP AgFin Farmer's Financial Cycle training on financial literacy in Eastern province in 2022

R.: Monitoring visit to one of the project beneficiaries who attended the AgBAIT training in November 2020

financial services of the partner institutions further, the project supports the development of agricultural finance strategies, the development of agricultural departments and staff development and incentive systems. Supported digital innovations such as automated loan evaluation systems or bulk-e-payment solutions ensure that the remote agricultural clients can be reached by the financial institutions.

On the farmer and agri-based enterprise side, the project supports with the development of tailor-made trainings for farmers and intermediaries (e.g. cooperatives; agric-enterprises; contract farmers) as well as agri-businesses. The Farmer-Financial Cycle Training is approved and supported by the Ministry of Agriculture staff and is delivered through Training of Trainers of relevant key stakeholders (e.g. COMACO, SACCOs, CRS, MoA) and includes modules on digital financial services.

To ensure sustainability of our activities we work closely with the Ministry of Agriculture, the Ministry of Fisheries and Livestock, the Ministry of Finance (Rural Financing Unit) and the Bank of Zambia as well as with other donors to achieve our goal of improving the supply of farms and agri-based enterprises in selected regions of Zambia with financial services that are adapted to their business models.

Special initiative "Transformation of Agricultural and Food Systems" (SI AGER):

Within the framework of the special initiative the country package Zambia is assigned to the BMZ core theme „A life free of hunger“, with a special focus on „food and nutrition security“ and „agriculture“. Germany's commitment places food security at the centre of international cooperation. The aim is to enable all people to enjoy the right to safe, sufficient, and balanced food. To achieve this, food systems must become more effective and efficient, and at the same time economically and socially sustainable action must be taken to create prosperity and new jobs for young people and especially for women.

The benefits

In order to identify concrete financial needs and potentials, six agricultural value chains (soya, groundnuts, dairy & beef,

poultry, horticulture) were analyzed and several viable business cases were identified. Based on a thorough analysis and the will to increase their agriculture related activities, the project has signed partnership agreements with a total of six financial institutions (ABBank, Agora Microfinance, MFinance, NATSAVE, Vision Fund Zambia, ZANACO) and supports two SACCOs (Monze, Choma). Training modules on agricultural value chains have been developed for financial institutions, including modules on crop production, horticulture, chicken, dairy and beef farming.

Over 300 staff members of the partner financial institutions have been trained to enhance their understanding of the financing needs of farmers and to enable them to assess the investment capacities of farms. Additionally, the project has been carrying out trainings for over 18.000 farmers and agri-based enterprises in rural areas in enhanced financial management and financial literacy. More than 13.600 of which have applied and accessed a formal financial service after attending at least one of the project's trainings.

Until January 2025, 13.600 farmers have accessed tailor-made products from our partner financial institutions, while repeated access of these products totals 20.9 Mio EUR in volume.

An example from the field

Patrick Mudenda from Southern Province, in Zambia has attended the Agricultural Business Analysis and Investment Training (AgBAIT), developed by the project, that helped him draw up an investment plan.

He then applied for a loan from VisionFund Zambia, a financial institution supported by the project. With a loan of ca. EUR 1,500 for two dairy cows and a fence, his daily milk production increased from 24l to 39l during the rainy season. With this investments Patrick estimated that he will be able to increase his income by 50% within a year.

This is how the AgBAIT training has already helped many emergent farmers and managers of agri-based micro small and medium enterprises in Zambia to improve their financial and communication skills and learn how to plan and execute profitable investments and increase their productivity.

Published by: Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH
Registered offices Bonn and Eschborn, Germany

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As at: January 2025

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