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REVIEW OF EMPLOYMENT EFFECTS OF AATIF FINANCING THROUGH BANCABC LENDING IN ZIMBABWE

CASE OF THE PAPERHOLE INVESTMENTS OUTGROWERS SCHEME

Final Report prepared for: Joint ILO/EU STRENGTHEN Project, ILO Geneva

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June 2020

Final Report submitted to ILO Geneva. This report was prepared by DevPact.

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GLOSSARY OF KEY TERMS

A1 model: one of the models under the fast track land reform programme which allocated small plots for growing crops and grazing land to landless and poor farmers

A2 model: one of the models under the fast track land reform programme which allocated farms to new black commercial farmers who had the skills and resources to farm profitably

Communal Areas: communal land in Zimbabwe refers to certain rural areas which were formerly called Tribal Trust Lands (TTL's) and where subsistence farming and small-scale commercial farming are the principal economic activities. Many communal lands are at a lower elevation than the commercial farms and consequently experience higher average temperatures and lower rainfall levels

Fast Track Land Reform Programme: launched in April 2001, the FTLRP had the aim of acquiring land from white commercial farmers for redistribution to poor and middle-income landless black Zimbabweans. The objectives of the FTLRP were, among other things, to acquire not less than 8.3 million hectares from the large-scale commercial farming sector for redistribution

Large Scale Commercial Farmer (LSCF): commercial farming is a type of farming in which crops are grown for commercial use only. It is a modernised method of farming that is undertaken on a large scale

State farms: usually refer to institutional farms like state research farms and farms belonging to the army, prisons, police, state universities and agricultural colleges

Unemployment: is a situation where supply of labour by the economically active group (those aged 15 years and above) exceeds demand (ZIMSTAT, 2014)

Underemployment: is defined as all persons in employment, who during a short reference period, wanted to work additional hours, but whose working time in all jobs is less than a specified hours' threshold, and were available to work additional hours given an opportunity for more work (ZIMSTAT, 2019)

EXECUTIVE SUMMARY

01

Increasing Zimbabwean farmers' access to credit is fundamental to the country's agricultural recovery post the land reform programme of the early 2000s. Outgrower arrangements are a model for sustainably linking farmers to local and international markets and to be successful, such arrangements must be underpinned by embedded financial and technical support that helps improve yields and product quality. In the context of new, and sometimes contested land ownership structures, outgrower arrangements must also involve relevant regulatory authorities to ensure that the necessary land tenure arrangements are in place that will allow a financial institution to extend the required credit to farmers.

BancABC sought to leverage the outgrower scheme model to inject liquidity into the Zimbabwean agricultural economy, which would in turn bring vast tracts of underutilised land into commercial production, thereby increasing both permanent and seasonal employment within the sector. Drawing from an assessment of outgrower arrangements that benefitted from AATIF funding through the BancABC-PHI facility, this report assesses the extent to which AATIF funding has impacted agricultural employment and the mechanisms through which such impacts have been realised. The PHI outgrower model was driven by PHI in its role as the final buyer of the crops produced by the three outgrowers assessed in the compilation of this report. In such a centralised model, PHI was responsible for ensuring that the outgrowers followed an agreed cropping schedule and that there was no side-selling so that it could in turn fulfil its contractual obligations with processors further up the value chain.

- **Section 1** of this report begins by giving a background to agricultural employment in Zimbabwe, encompassing the history of agricultural employment in the country that gave rise to the dual agrarian structure that existed prior to the land reform programme. It then describes the unemployment and underemployment challenge in the country. Section 1 concludes with a discussion on the new agrarian structure post land reform and the implications for labour relations.
- **Section 2** gives descriptions of the AATIF-BancABC relationship and of the BancABC-PHI loan facility.
- **Section 3** discusses the findings from the "groups of interest" which are BancABC, Paperhole Investments (PHI) and the outgrower farmers who benefitted through accessing loans under the BancABC-PHI facility.
- **Section 4** outlines our analysis, recommendations, and conclusions, highlighting the positive aspects of AATIF funding through the BancABC-PHI facility that can be carried forward in subsequent facilities and where improvements can be made.

Evidence from this assessment indicates that AATIF funding provided significant benefit to BancABC, PHI, the outgrowers, resettled farmers and farm workers. Whilst there are some limitations, especially on the issuance of working capital loans only (and not capital expenditure loans), overall, the facility has had positive employment, production, and productivity impacts.

Key areas of impact across these beneficiaries include:

BancABC: Through AATIF funding, BancABC managed to expand its agricultural loan portfolio in Zimbabwe and consequently its client base. Although the macroeconomic conditions in Zimbabwe were less than favourable throughout the course of the facility, the bank remained committed to supporting the agricultural sector nonetheless, and all loans were repaid or are on course to be repaid. Although the changes in fiscal policy announced by the Reserve Bank of Zimbabwe (RBZ) resulted in capital erosion on the bank's part, the bank has since put in place measures to counteract this in the future and is eager to continue disbursing AATIF funding through similar facilities.

PHI: As a grain trader faced with insufficient supply due to a decline in commercial farming activity in Zimbabwe over the past two decades, PHI noted that AATIF funding through BancABC had been of immense value to its operations. The facility allowed PHI to expand the number and quality of outgrowers producing maize, soybeans, and wheat for its processing customers. Although its systems for outgrower oversight were tested, PHI noted that the benefit of increased deliveries far outweighed the negatives of outgrower management. That said though, PHI's preference is to wean outgrowers after one season so that they deal directly with BancABC on the financial aspects whilst PHI focuses on grain procurement and trade.

Outgrower farmers: Access to working capital was a major benefit highlighted by the outgrower farmers. Even though they required capital expenditure loans, the availability of working capital loans allowed them to reallocate financial resources and purchase capital equipment. An important aspect of the additionality of AATIF funding relates to land tenure. Most of the outgrowers did not have bankable title to the land they were farming and through joint venture agreements with resettled farmers, ratified by the Ministry of Agriculture, managed to bring vast tracts of underutilised land back into production. Lastly, another area of benefit to the outgrowers was an increase in the quantity and quality of farmworkers as a result of accessing AATIF funding through the BancABC-PHI facility.

Farmworkers: Formal employment opportunities in the large-scale commercial farming sector have declined considerably post the land reform programme in the early 2000s. AATIF funding reversed this trend amongst the beneficiary outgrowers as they increased their employment and training of both permanent and seasonal farmworkers.

Resettled farmers: Resettled farmers in Zimbabwe engage in both own production and paid labour when they are not cultivating their plots of land. AATIF funding increased casual employment opportunities for these resettled farms, reducing the level of underemployment prevalent in the newly resettled areas resulting from underutilisation of the land received during the land reform programme.

Although the BancABC-PHI facility had its limitations, mainly due to the macroeconomic challenges prevalent in Zimbabwe, it nonetheless resulted in tangible benefits to various actors in the agricultural sector in Zimbabwe as highlighted above. Once the situation allows for the issuance of capital expenditure loans, both the bank and the farmers believe this will increase the positive employment impacts of the facility.

> **Evidence from this assessment indicates that AATIF funding provided significant benefit to BancABC, PHI, the outgrowers, resettled farmers and farm workers.**

BACKGROUND TO AGRICULTURAL EMPLOYMENT IN ZIMBABWE

02

One of the greatest challenges facing the economy of Zimbabwe today is that of un- and underemployment, particularly for the youth. The continent is undergoing a 'youth bulge' in which the share of young people in the working age population is peaking, coupled with improving education systems that continue to produce large numbers of youths entering the labour markets every year. Few of these manage to secure employment in the formal sector (AfDB, 2016). While most of them are absorbed by micro and small enterprises (MSMEs), the rate of absorption has not been high enough to match the high unemployment figures in the formal sector. This has given rise to brain drain and massive migration into the diaspora in search of employment opportunities. Thus, Governments in Sub-Saharan Africa (SSA) are under enormous pressure to create more and better jobs for the continent's young and rapidly growing population. According to Mueller and Thurlow (2019), projections of youth employment in agriculture in SSA will depend not only on farm size but the substitutive and complementary nature of modern inputs and labour. The existence of agricultural wage labour markets and land rental markets may provide additional avenues for the youth to continue engaging in agriculture, under limited opportunities for land ownership.

HISTORY OF AGRICULTURAL EMPLOYMENT IN ZIMBABWE

During the colonial era, expanding commercial agriculture required increasing amounts of labour. This was recruited from across Zimbabwe, and across the Southern African the region. Labourers came from Malawi, Zambia and many also came from Mozambique, especially during the long civil war in that country. Crops such as tobacco, which became dominant on the highveld, required considerable labour for production and processing and farmers built large compounds to accommodate farm workers and their families. Overall, the conditions were notoriously poor, with low wages, inadequate accommodation, and limited services. A form of 'domestic government' was instituted: a system based on racialised paternalism and control and often harsh discipline. Workers knew little else beyond the farms, and there were restrictions on off-farm work, and even small-scale gardening.[1]

However, the fast track land reform program (FTLRP) implemented since 2001 shifted the structure of farms as described above and created new forms of employment and a framework for the mobilisation and utilisation of agricultural labour, including the governance of work relations on the new farms.[2] The smallholder sector in Zimbabwe's communal areas was characterised by land shortages and high population densities, which resulted in high underemployment. This has been eased through the implementation of the FTLRP since the redistribution of land allowed the smallholder households to crop more extensively in higher potential agro-ecological regions. As a result of the FTLRP, improved land access for smallholders and some farm workers reliant on own labour for agricultural activities created opportunities for self-employment and the utilisation of previously underutilised resources, in addition to guaranteeing their social security and livelihoods.[3]

The reformed agrarian structure, characterised by broad participation, created the opportunity to expand the rural wage labour market as the number of potential wage employers, especially among the middle and large farm holdings, increased in the new farming sector.[4] Where there were formerly 4 500 employers, there are now more than 150,000 small to medium commercial farms. However, it is important to note that the realisation of the full potential for job creation in the reformed agrarian sector is dependent on solving the production constraints that are currently affecting the resettled farmers. Major constraints faced by resettled farmers include lack of access to capital (due in part to lack of title deeds on the acquired land); lack of technical skills and disappearance of input supply chains that relied on the existence of a vibrant commercial farming sector. So, whilst on paper the reformed agricultural sector has result in broader participation, on the negative side there has been a collapse of commercial supply chains due to disinvestment by former commercial farmers and corporate farms/estates. In addition, lucrative export markets such as those for cut flowers and horticultural produce have been lost as the resettled farmers do not have the necessary contacts

1 Scoones and Sukume, 2018
2 Chambati, 2013
3 Chambati, 2017
4 Chambati and Moyo, 2003.

or skills for market access. This has resulted in reduced formal employment opportunities on commercial farms, and the concomitant income opportunities. Consequently, the quality of life for most farmworkers, particularly those that did not access land under the FTLRP, has decreased substantially.

Today, following land reform, there are many more small-scale farms operating in the same areas, and a much more fluid, informal and unregulated arrangement, whereby temporary wage work combines with self-employment and petty commodity production, based on limited, but varied, ownership of land.[5]

UNEMPLOYMENT IN THE ZIMBABWEAN CONTEXT

Due to over two decades of negative economic performance, Zimbabwe faces enormous challenges of both underemployment and unemployment characterised in part by an ever-increasing informal economy. However, the national statistics body, ZIMSTAT, only tracks unemployment data in its Labour Force and Child Labour Survey, and this is the data used in this report.

The definition of unemployment adopted in Zimbabwe is a situation where supply of labour by the economically active group (those aged 15 years and above) exceeds demand (ZIMSTAT, 2014). The unemployed in this case are those who have no work to do but are currently looking for work or available for work. Unemployment is one the key indicators for measuring economic performance of the Zimbabwean economy, but accurate measurement is affected by the availability of reliable time series data.

Despite a sharp fall in formal sector employment since the late 1990s, Zimbabwe's unemployment rate has remained below 20%.[6] Recent official data available on unemployment is from the 2019 Labour Force and Child Labour Survey (LFCLS), which collected labour force information from economically active persons aged 15 years and above. The results of the 2019 LFCLS showed that only 16.4% of the economically active segment of the population could be categorised as unemployed, with the rate for males and females almost the same at 16% and 17%, respectively (ZIMSTAT, 2019). However, the strict unemployment rate stood at 7.2% compared to 16.0% of broad unemployment rate while time-related underemployment rate was 41.1%. While these figures have been met with disbelief in Zimbabwe and elsewhere, the studies assert that they are based on consistent application of the international definition of unemployment.

However, it is important to note that the unemployment rate alone is of limited use in the assessment of a country's labour market situation since it does not reflect the quality of employment. For instance, the LFCLS regards unpaid family labour contributors as employed workers while in other studies, these are regarded as unemployed. For this reason, unemployment figures of up to 90% are sometimes quoted in mainstream media. For instance, there is debate over the unemployment rate in Zimbabwe, which tends to be overestimated at above 80% in most media sources, ignoring informal sector and other forms of self-employment. However, what is not in dispute is the fact that Zimbabwe is faced with a growing unemployment problem. **The contention seems to be around how to treat employment in smallholder agriculture, particularly communal farming.**

5 Scoones and Sukume, 2018
6 Luebker, 2008

Snapshot of Agricultural Statistics in Zimbabwe

The agriculture, forestry and fishing sector had the largest proportion of employed persons at 36%. The majority (84.3%) of the employed persons did not have any field of specialisation. 63% of the employed persons earned income of RTGS$ 200* and below during the month of May 2019. Around 28% of the employed persons reported working excessive hours of more than 49 hours a week.

- Of the 36% employed in the agriculture, forestry, and fishing sector, 58% were male and 42% were female.
- Around 65% of those employed in agriculture, forestry and fishing were in the rural areas.

Source: ZIMSTAT Labour Force and Child Labour Survey, 2019

* RTGS$200 was equivalent to approximately USD10 at the time of writing (using the official exchange rate)

CHANGING AGRARIAN LABOUR TRENDS FOLLOWING LAND REFORM IN ZIMBABWE

The agrarian labour relations after the FTLRP tend to be neglected in most literature after 2000. Most studies that have analysed agrarian labour relations after 2000 have adopted modernisation perspectives, in which formal wage labour in the large-scale commercial farms (LSCFs) is treated as superior to self-employed forms of labour in the smallholder sector, assuming that returns to wage labour are greater than those of self-employed smallholders.[7] The FTLRP has been accompanied by an increase in the degree of self-employment, mostly among newly resettled households in the predominantly wage labour market of the former LSCF sector, who also farm on their acquired land. Some of these households hire in labour to augment family labour resources during peak periods for planting, weeding, and harvesting."[8]

Unlike in the former LSCF sector, where labour participation was predominantly in export-oriented agricultural production activities, in the new resettlement areas labour is utilised in a multiplicity of activities, including food focused agricultural production, natural resource extraction, petty commodity trading and sale of labour outside the immediate surrounding areas.[9] As noted above however, it is clear that some farmworkers who were formally employed on LSCFs on a fulltime basis have lost out as the labour opportunities brought about by the FTLRP have not been at par with their previous employers, in terms of remuneration and working conditions.

The self-employment and livelihood options pursued by smallholders tend to be neglected because they do not fit the formal employment criteria used by neo-classical economists. Over three quarters of the workers employed by newly resettled households are employed on a part time basis. Unlike in the former LSCF areas, where large groups (averaging 66 workers) were employed on one farm, the newly resettled households are found to employ few workers, usually averaging less than 10 per plot in the dominant smaller sized A1 sector and between 15 and 20 workers in the medium to large A2 farms. Some resettled households also hired out their own family labour in return for wages in cash or kind to augment their livelihoods.[10]

In contrast to the situation in the LSCF sector where there would be a large reservoir of labour resident in the farm compounds, employed as either full or part time workers tied to a specific employer, new forms of labour emerged in the resettlement areas. Whereas under the LSCF system, residency on the farm compounds was guaranteed for farmworkers through the provision of employment and tended to be

7 Chambati, 2013
8 Chambati, 2007
9 Moyo et al, 2009
10 Chambati and Moyo, 2004

withdrawn on voluntary or forced termination of contract, the new forms of labour include the organisation of workers into labour gangs to provide general and specialised services to newly resettled households based on demand. Resident in farm compounds, the labour gangs are independent from any employer and have more wage bargaining power than some fulltime workers who are reliant on newly resettled households for both wage employment and residential security, as was the case in the former LSCF sector.[11] This scenario applies mainly to migrant workers who remained resident in the farm compounds after the land redistribution exercise.

Some new labour mobilisation processes have also emerged in the land reform areas, involving the recruitment of relatives from the extended family, mostly from the communal areas, into wage employment, reflecting an emerging social patronage system. In the former LSCF sector, work relations were governed by the dictates of the commercial farm owner. Under this old system, farm owners used to set laws and codes of conduct beyond the employment contracts to include other social affairs of their workers. These ancillary regulations were sometimes at variance with and divergent from the legal framework applicable within the rest of the country. However, under the social patronage system, work relations tend to be defined by kinship ties and are generally cordial. The worker mistreatment that was rife in the LSCF sector tends to gradually disappear and is no longer existing within the social patronage system, with interference in employees' domestic affairs becoming less pronounced. Outside the work relations that are defined by kinship ties, most of the workers employed on the new farms perceive work relations between employers and employees to have improved from the situation obtaining in the former LSCF sector. Some of the strategies utilised by the former LSCFs, which included intimidation, verbal abuse and physical violence to ensure the accomplishment of farm tasks have largely disappeared from the new agrarian structure.[12]

Rather than just relying on own family and hired-in labour to complete productive activities, as was the case in the former LSCF sector, inter-family arrangements have been introduced to some extent in the new resettlement areas. Groups of families team up to work on the plot of one family, normally during peak periods, to perform tasks which are time sensitive and this arrangement is reciprocated to all families participating in the group. These reciprocal labour arrangements are common in the communal areas from where most of the beneficiaries of the FTLRP originated.

The new farm structure (including A1, A2, remaining LSCF, old resettlement, state farms and communal areas) has generated more jobs than had previously been offered by the dual agrarian structure, based on the employment estimates and land use.[13] Where the LSCF sector used to employ 167 851 full time workers, the new agrarian structure employed a total of 502 456 permanent workers, implying a 199% growth in fulltime employment.[14] In terms of self-employment, anecdotal evidence suggests a growth by over 500 000 jobs following the implementation of the FTLRP. Furthermore, numerous opportunities for casual work were also created by the broadening of land access in the former LSCF areas. This implies that, on a macro-scale, additional farm jobs appear to have been created by the FTLRP. However, these statistics do not consider the issue of underemployment that has resulted from the FTLRP. It can be argued that under the former LSCFs, farmworkers were seldom underemployed, but this is now the case post the land reform programme. This is so because the capacity utilisation on most resettled farms has remained below what the LSCFs were achieving and this affects the rest of the value chain, from employment, production volumes and access to markets. This view is supported by the fact the beneficiaries under the facility provided by BancABC with AATIF funding are mostly former LSCFs who are leasing land on the resettled farms thereby increasing capacity utilisation on these farms and consequently formal fulltime and temporary employment.

11 Chambati, 2017
12 Moyo et al, 2009
13 Chambati, 2013
14 Chambati, 2007

Research has revealed that the LSCF farms were the lowest employers of labour per unit of cropped area, in comparison to the small-scale commercial farming (SSCF) and old resettlement sectors even prior to the FTLRP. There is evidence that areas cropped in the LSCF, small scale communal farming (SSCF) and old resettlement farming sectors averaged 88 ha, 9.5 ha and 1.8ha respectively before the FTLRP. Correspondingly, labour employment was 0.7 workers, 5.0 workers and 3.5 workers per cropped hectare, respectively for the LSCF, SSCF and old resettlement farming sectors between 1988 and 1997. The research posits that labour utilisation per unit of cropped area in the new resettlement areas has already surpassed the rates that prevailed in the former LSCF sector, averaging 1.28 (excluding casual workers). This evidence implies greater employment capacity within the reformed agrarian structure despite land use having not yet reached full potential threshold levels.[15]

Snapshot of the Fast Track Land Reform Programme in Zimbabwe

According to the Institute of Development Studies (IDS) in the United Kingdom, around 7 million hectares of land were redistributed via the fast track land reform programme (or 20% of Zimbabwe's area):

- 49.9% of those who received land were rural peasants
- 8.3% were unemployed or in low-paid jobs in regional towns, growth points and mines
- 16.5% were civil servants
- 6.7% were of the Zimbabwean working class
- 4.8% of the land went to business people
- 3.7% went to security services
- About 5% went to absentee farmers well connected to political elites

The AATIF facility targets A2 model beneficiaries, i.e. those who received commercial farmland. According to the statistics above, this representspotentially 36.7% of FTLRP beneficiaries (civil servants to absentee farmers) who do not have the capital nor the technical knowhow to utilise all the land they were given.

Source: Institute of Development Studies (IDS), UK. 2012

IMPLICATIONS FOR LIVELIHOODS

The debate on livelihood losses incurred by former farm workers as a result of the FTLRP tends to be pursued out of context as such livelihoods are normally presented as having been sustainable before the land reform.[16] In reality, farm worker jobs and livelihoods have remained non-viable since the colonial era and characterised by poor labour relations, insecure residential and agricultural land tenure and the mistreatment of workers on commercial farms. Although constituting the largest share of formal employment (about 26%), farm workers employed in the LSCF sector were the least paid and endured the worst working conditions. Before the FTLRP, an estimated 71% of farm workers earned wages conforming to the gazetted statutory requirements, but only 30% could meet their household needs from their wage income, as measured by the poverty datum line. To supplement their wage earnings, farm workers were always involved in other income generating activities, including subsistence cropping on the farm, piecework on neighbouring farms, poultry keeping, petty trading, gardening, and gold panning.

The compound system created under LSCF agriculture meant that farm workers were housed in small sections of the private freehold land in farm compounds with insecure residential and agricultural land tenure rights that were linked to their employment contract. Continued residency was guaranteed by maintaining employment links on the farm. Because there were no standards for the housing that the LSCF sector was supposed to provide for employees, in most cases farm compound housing facilities and support services

15 Chambati and Moyo, 2004
16 Sachikonye, 2003

were unsuitable for human habitation. Farm compounds were sites of overcrowding, housing more people than were required to perform full and part time agricultural work. The provision of social services (housing, health, and education) to farm workers was viewed by central government as the responsibility of the employers on their private property, although it provided these services in the communal and urban areas. Conversely, the commercial farmers blamed the poor living conditions of farm workers on the ineffectiveness of the national social security system and government's reluctance to provide incentives (tax breaks and subsidised finance) for investment in social services.[17]

NEW AGRARIAN LABOUR RELATIONS

Evidence points to the fact that there has been an increase in the absolute number of full- and part-time workers employed by households as the farm size increases. The larger A2 farms tend to employ more labour than the smaller A1 farms. The hiring in of labour is more common in the larger farms, as only 2% of the A2 households are exclusively reliant on family labour for productive activities, in comparison to 19.2% among the A1 households. In general, casual forms of labour are more dominant in the newly resettled areas. This is the major type of hired in labour on the A1 farms where over 70% of the households hire in casual workers and over 30% hire in fulltime workers.[18]

The relationship between farm size and labour use is also reflected in the cropped areas. The newly resettled households that employ the most labour are also those cropping the greatest land area. Most households in the A2 sector that had diversified from maize mono-cropping into other cash crops have higher levels of labour use.[19]

Although the larger farms in the newly resettled areas tend to employ more labour in absolute terms, labour use is higher in the smaller farms per available arable area and total cropped area. **The labour intensity, as measured by the number of workers divided by the arable or cropped area**, tends to decrease as the farm size increases. Thus, after considering the land area, the small farms utilise more labour or are more labour intense than the larger farms in the A2 sector. These findings are in support of historical arguments for land reform that subdividing large farms into smaller units results in generation of additional jobs/employment either as hired labour or own farm producers. However, in terms of productivity, there is a positive correlation with land size as shown in Table 1, in the case of maize production.

Table 1 Maize Productivity by farming sector, farm size and level of mechanisation

Farming Sector	Farm Size (ha)	Level of Mechanization	Maize Yields (mt/ha)
Smallholder	1 – 20	Manual and animal based	<2.0
Small-scale Commercial	21 - 200	Animal and partially motorized	2 – 5
Large-scale Commercial	200 and above	Highly motorized	5-8

Source: Author compilation from various sources (Zimbabwe data)

In general, the ownership of different types of agricultural equipment (animal drawn and power-driven implements) was low among newly resettled households. Most households relied on hiring in equipment to carry out their farming operations and the technologies used tend to be labour intensive. There is a direct relationship between farm equipment and machinery endowments, and labour utilisation rates. Farmers who are well endowed with farm assets, such as mechanisation equipment and draught power, tend to utilise more labour resources, presumably because they crop larger land areas than those who do not have these capital endowments.[20]

17 Chambati and Moyo, 2004
18 Chambati, 2007
19 Moyo et al, 2009
20 Chambati, 2017

APPROACH TO THE ASSIGNMENT

03

The main activities for this assessment were conducted over the February to March 2020 period. BancABC was responsible for facilitating meetings with Paperhole Investments (PHI) and the three outgrowers who benefitted from the facility provided by BancABC with AATIF funding. However, due to communication and timing challenges, BancABC were not able to facilitate any of these meetings and the study team had to approach the four respondents directly. BancABC alluded to the fact that the outgrowers assumed the evaluation to be a labour inspection exercise as opposed to an employment effects assessment. This might have contributed to the farmers' reluctance to participate.

The study team managed to obtain contacts for Paperhole Investments (PHI) and set up a meeting independently. Paperhole Investments then provided contacts for the three outgrowers after which the study team set up meetings with them. However, two of the three outgrowers were not willing to participate in the study. Consequently, it was not possible to set up meetings with their farmworkers which was compounded by travel restrictions due to the COVID-19 outbreak prior to the farm visits taking place.

Therefore, the findings detailed in this report are based on the following discussions:

(i) Two meetings with BancABC- one before the meeting with Paperhole Investments and the outgrowers and one after to triangulate the findings

(ii) One meeting with Paperhole Investments

(iii) One meeting with Brink Bosman Farms (outgrower)

(iv) All meetings were supposed to be held in person but due to delays and the COVID 19 lockdown restrictions all meetings, except the initial BancABC meeting, were held remotely.

BACKGROUND TO BANCABC AND AATIF

04

ABC Holdings Limited, which is registered in Botswana, is the parent company of a number of Sub- Saharan banks operating under the BancABC brand in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe. The group is wholly owned by Atlas Mara Limited. BancABC offers a diverse range of financial services including personal, business, and corporate banking, as well as asset management, stockbroking, and treasury services. Increasing agricultural finance is one of Atlas Mara's strategic pillars and the company has increased its efforts in Zimbabwe because the country offers significant potential in terms of agri-lending demand.

In December 2018, AATIF signed a senior loan agreement with BancABC. The facility, secured with a guarantee from Atlas Mara Limited, replaced a prior risk sharing agreement signed in December 2013, and provided funding to be deployed exclusively in the agricultural sector following AATIF's reporting requirements as well as its standards on Social and Environmental Risk Management. BancABC has since built a solid agriculture team in Zimbabwe, which acts as a source of expertise and support for the entire BancABC group. To further grow its agricultural footprint, BancABC is leveraging existing relationships but also entering into new partnerships to increase its exposure to the agricultural sector (such as the PHI outgrower finance scheme analysed in this report).

BancABC reports every quarter on the sub-loans made, including sub-borrowers' employment numbers. The bank is also required to submit its Social and Environmental (S&E) analysis for each client upon AATIF's request. In 2018, data reported by BancABC shows that the bank is (in)directly supporting thousands of permanent and seasonal jobs in agriculture, particularly in Zimbabwe, with clients employing over 3,500 permanent and a similar number of seasonal workers, and various outgrower schemes in Zimbabwe and Mozambique.

Before the approval of the first agreement with BancABC, AATIF's Compliance Advisor (the International Labour Organization) conducted a full Social and Environmental (S&E) due diligence to assess how the bank identifies and manages S&E risks in its operations (including in its clients' operations) and gaps when comparing such procedures with AATIF's Social and Environmental Policy (AATIF adopts IFC Performance Standards). Since then, the bank has made significant improvements in how it manages S&E risks.

In 2016, BancABC finalised the upgrading process for its social and environmental management system (SEMS). Key milestones included the adoption of its Sustainability Policy, the development of its Social and Environmental Management System Manual, the appointment of a Sustainability Officer and the development and launch of an S&E capacity building strategy. As part of the implementation of this strategy, AATIF's Technical Assistance Facility financed an S&E training and mentoring program provided by an expert consultant, and backstopped by the Fund's Compliance Advisor, in which BancABC's Sustainability Officer received support in:

- reviewing credit applications
- conducting social and environmental audits
- engaging with clients to familiarise them with the bank's S&E risk management approach
- conducting S&E training events for fellow bank staff throughout 2018

While the S&E mentoring ended in 2018, the bank has built internal capacity to continue the successful implementation of its Social and Environmental Management System and expand its S&E capacity by appointing 12 S&E Champions in its different countries of operations.

THE PHI-BANCABC FACILITY

Using the funding from AATIF, BancABC in partnership with PHI provides medium term loans to farmers to finance the purchase of farming implements and short-term working capital[21]. PHI recommends to the bank farmers eligible for loans and recommended loan amounts are based on PHI's intimate knowledge of the farmer's performance. The facility is secured by an underlying guarantee from PHI against the scheme.

In terms of experience with outgrower models in agriculture, BancABC was already implementing a Sustainable Sugarcane Communities (SSCO) facility in the lowveld with commercial farmers. The model involves a central off taker of raw sugarcane working with small to medium sized commercial outgrowers.

Currently, the bank is restricting the tenure of agricultural loans to 12 months and not yet extending long term loans (3 years) due to the risk of capital erosion under the prevailing hyperinflationary environment.

From the bank's perspective, where a relationship does not exist with individual outgrowers it is important to have a partner like PHI to coordinate. PHI is interested in securing the product and therefore targets those farmers capable of delivering. This assists the bank, which does not have the same level of technical skill as PHI in terms of farmer identification and farm viability assessment. In addition to having a guaranteed market, PHI finds it cheaper to act as an "agent" for an established agro-trading company like Simbisa Brands which supplies companies such as Irvine's, National Foods and Profeeds. To this end, PHI provides a 40% cash guarantee which enables the bank to offer a one percent reduction in interest rate to borrowers under this facility (depending on the client's risk profile).

21 Due to the inflationary environment in Zimbabwe, BancABC has only disbursed working capital loans to date

FINDINGS FROM GROUPS OF INTEREST

05

BANCABC

BancABC's Agribusiness Unit provides loans to commercial farmers in crops, livestock, seed, and horticultural value chains. Ordinarily, BancABC works through recognised aggregators such as PHI and Seed-Co[22] to identify viable outgrowers to whom they can lend. Thereafter, if farmers are successful through the outgrower scheme, the bank can then deal with them directly.

The first criterion assessed is the nature of land holding, whether the farmer is in possession of a valid offer letter or if the land in question is under a joint venture agreement ratified by the Ministry of Lands, Agriculture Water Climate and Rural Resettlement (MLAWCRR). If it is a joint venture agreement between the commercial farmer and the landowner, this must be ratified by the MLAWCRR. The MLAWCRR provides checks and balances and ensures contract enforcement as well as fairness in the contractual arrangement.

Other parameters assessed include:

- Availability of water, infrastructure, and facilities for irrigation as a strategy for mitigating the impacts of climate change
- Farmer's experience and expertise
- Availability of resources (capital and human)
- Production track record
- Credit and operational risks

The clients that are under the BancABC-PHI facility benefit by being charged 100 basis points below the Bank's base rate, averaging 29% per annum.[23] At the time of this assessment, on average the market related interest rate was 35% per annum although the Reserve Bank of Zimbabwe (RBZ) had announced an upward review of the interest rates to between 50% and 70% per annum. However, the actual interest rate charged depends on the client's risk profile. AATIF funding accounts for about 8% of the total lending portfolio that the bank handles.

As noted earlier, potential loan recipients under this facility must be commercial enterprises (commercial farmers and commercial agribusinesses like PHI) given that the bank requires a 20% loan guarantee from the applicants for capital expenditure loans. The guarantee can be as high as 40% depending on the risk profile of the entity. However, for working capital loans, there is no requirement for a guarantee to access the loan facility, but borrowers must provide collateral in terms of real estate property as per standard BancABC guidelines. **To further reduce the risk of side-selling and consequently default, the bank takes cession of the farmers' production equivalent to the value of the loan amount**[24]. The rationale behind this is that in the absence of a guarantee, the level of monitoring of outgrower operations is reduced and this increases the chances of side selling outside the contracted terms and conditions.

The bank sees growing demand for capital, and hence the facility, due to the prevailing hyperinflationary environment, which favours the borrower more than the lender. Under the PHI facility, there are currently more than 20 farmers that are contracted, of which three were selected by the bank for this analysis. Contracted in this instance refers to farmers who benefitted through the PHI managed outgrower facility. There are other farmers who have accessed lines of credit through BancABC directly, and not through the PHI arrangement.[25]

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22 Seed Co Limited is a leading producer and marketer of certified crop seeds in Zimbabwe with operations across 10 African countries and distribution network across 15 African countries.

23 BancABC can offer a 1% interest rate reduction on the back of the 40% guarantee put forward by PHI, but this is evaluated on a case by case basis

24 A cession in this instance is whereby the farmer cedes the rights to the crops to the bank. The ceded amount is equivalent to the loan repayment amount.

25 PHI received USD15 million to disburse under the facility and contracted farmers under this facility

The bank piloted the facility directly with the three farmers identified for this study in 2018 and the results (in terms of employment and farmer satisfaction with the facility) have been mixed, but all indicate a positive impact on employment creation at the outgrower level. Farmers that had their credit application refused were deemed high risk by the bank mainly due to inadequate irrigation capacity. It is important to highlight that, whilst expansion or installation of irrigation facilities is an important capital investment that could be funded by the bank, under this pilot, only working capital loans were extended to the farmers due to the hyperinflationary environment in Zimbabwe.

There are more farmers who are now approaching the bank directly for loans to independently produce lucrative crops other than the staple crops (maize, wheat, beans, and potato) being contracted under the PHI outgrower model.

The facility has been useful to the bank and beneficial to the farmers, and the bank is keen to build on the momentum created by this facility to expand its support to agriculture in Zimbabwe. The facility has enhanced the bank's relationship with PHI, which was already a client of the bank, and helped the bank to expand its clientele base.

How has the prevailing macroeconomic environment impacted AATIF funding?

In June 2019, the Reserve Bank of Zimbabwe (RBZ) issued a new monetary policy whose fundamental change was that Zimbabwe no longer supported a multi-currency system wherein the United States Dollar (USD), the British Pound (GBP), the South African Rand (ZAR) and the Botswana Pula (BWP) amongst other currencies, could be used as legal tender in the country. This meant that instead of Zimbabwe's dominant currency being the USD, as it was prior to June 2019, it was now the Zimbabwe Dollar (ZWL). The ZWL encompasses electronic money in the form of the Real Time Gross Settlement (RTGS) dollars and mobile money as well as cash in the form of bond notes and coins.

The effect of these regulations was far reaching because the new measures meant that all debts contracted in USD would now be honoured in ZWL, resulting in capital erosion on the part of USD based debts, such as the loans made by BancABC under the PHI facility. At the time of announcing the new policy in June 2019, the Reserve Bank of Zimbabwe pegged the initial exchange rate between the USD and the ZWL at 2.5 ZWL to 1 USD. However, by February 2020, the ZWL had depreciated against the USD to USD1: ZWL20 on the parallel market. The effect of the above scenario on BancABC is that the bank gave loans to the farmers in USD but was repaid in ZWL at a much-devalued rate, resulting in capital erosion for the bank.

Given the foregoing, BancABC suffered capital erosion (lost value) over the course of the facility because the bank outlaid USD loans but was paid back in ZWL at the official exchange rate which is significantly below the parallel market rate on which most economic transactions are priced in the Zimbabwean economy. The change in fiscal policy announced in June 2019 benefitted borrowers who had USD denominated debts but could now pay in the overvalued ZWL. In the outgrower farmers' case, they managed to lock value in assets through acquisition of farm equipment such as irrigation centre pivots, combine harvesters and grain silos. This was despite the fact that the loan facility was meant for working capital and not capex, but the AATIF funds allowed flexibility and farmers used other resources for capital investment.

To counteract this problem of capital erosion, the bank has now put in place a structure to cushion itself against inflation, whereby it specifies repayment value in commodity terms other than monetary figures.

PAPERHOLE INVESTMENTS (PHI)

PHI is a diversified grain trader that sources maize, wheat, and soybeans from farmers on behalf of the Innscor Africa Group (Simbisa Brands), which processes them into various food and animal feed products. The food commodities produced include mealie meal, flour, cooking oil and snacks. Since 2015, PHI has secured loans and overdraft financing from BancABC amounting to USD45 million, inclusive of the BancABC-PHI facility amount of USD15 million.

PHI's focus as a company is the contract farming business model and as such, they do not have adequate systems to track employment effects at the outgrower level as these statistics are captured by BancABC directly. As a result, PHI was not aware of the impact or effects that the funding from BancABC has had on employment at the outgrowers. However, for its own operations, the company has been augmenting its workforce as and when the need arises due to increased deliveries from contracted growers. As a result of the facility, PHI increased its workforce by a total of 60 employees, 50% of which have been engaged on a permanent basis. Being a diversified grain trader, PHI requires more semi-skilled and skilled workers compared to the three outgrowers who require mostly unskilled and semi-skilled farmworkers. The quality of jobs at PHI is therefore generally higher than at the outgrowers. In addition, because of the required skills, the jobs at PHI tend to be more permanent than casual, whereas the opposite is true at the farm level where the outgrowers operate.

What was the motivation for PHI to enter partnership with BancABC?

As mentioned earlier, PHI does not distinguish between the facility and other loans from BancABC since it has been engaging with the bank for over five years to finance its contract farming business model. As a grain trader that mobilises and purchases grain commodities on behalf of a diversified fast-moving commodity group, Innscor Africa Group, PHI was motivated to engage grain producers in contract farming to secure supply for onward selling to Innscor.

To finance its operations, PHI approached several banks, including BancABC, for loan and overdraft facilities, to finance the contract farming business model. The purpose of seeking loans from the financial institutions was to increase its portfolio of funding to its farmers to increase the area under grain production and grain output for delivery to Innscor affiliated companies that are into grain milling and stock-feed manufacturing. Some of these companies include National Foods, Irvines, Colcom and Profeeds.

Contract farming guarantees supply of grain to these companies in the face of declining grain production and tightening grain trading regulations in the country. The decline in grain production has prompted the Government of Zimbabwe to intervene in grain markets compelling the trade of all strategic grains (particularly maize and wheat) to be conducted through the state-owned Grain Marketing Board (GMB) thereby limiting the space for private grain traders. Contract farming has therefore presented an opportunity for securing grain supply from farmers without contravening state regulations.

What typical challenges did the growers face before engagement with PHI?

Grain producers in Zimbabwe face a wide array of challenges, mainly related to the prevailing adverse macroeconomic environment. Access to finance for agricultural production is a major issue for most farmers in the country. For that reason, PHI was forced to overstep and divert from its mandate of grain trading to venture into financing of grain production to ensure guaranteed supply to its client, Innscor Africa.

However, specifically for the three outgrower farmers that have been financed by BancABC using the facility:

- The major challenge has been that of security of tenure on the land that they are leasing from FTLRP beneficiaries. Engagement with PHI and subsequent financing by BancABC have assisted the farmers to viably produce grain crops under Joint Venture (JV) agreements with the new landowners. The JV agreements are entered into as memoranda of understanding (MoUs) between the growers and the landowners and ratified by the Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement (MLAWCRR)
- The other challenge facing the farmers pertains to climate change and recurrent droughts that have significantly impacted on rain-fed agriculture. The funding from BancABC allowed the farmers to free up other resources to develop irrigation to mitigate the impacts of climate change on grain production. Irrigation expansion was meant to not only expand the area under cultivation but also to combat climate change due to recurrent droughts which have been experienced in Zimbabwe over the past few farming seasons. Farmers who managed to access loans under this pilot had to show that they already had some form of irrigation infrastructure in place
- In addition, the growers have continued to grapple with the challenge of electricity supply (extended periods of load shedding) to successfully run their irrigation schedules. This was highlighted as having a significant negative impact on grain yield (productivity) levels attained by the farmers

What challenges did PHI encounter with administration of the facility?

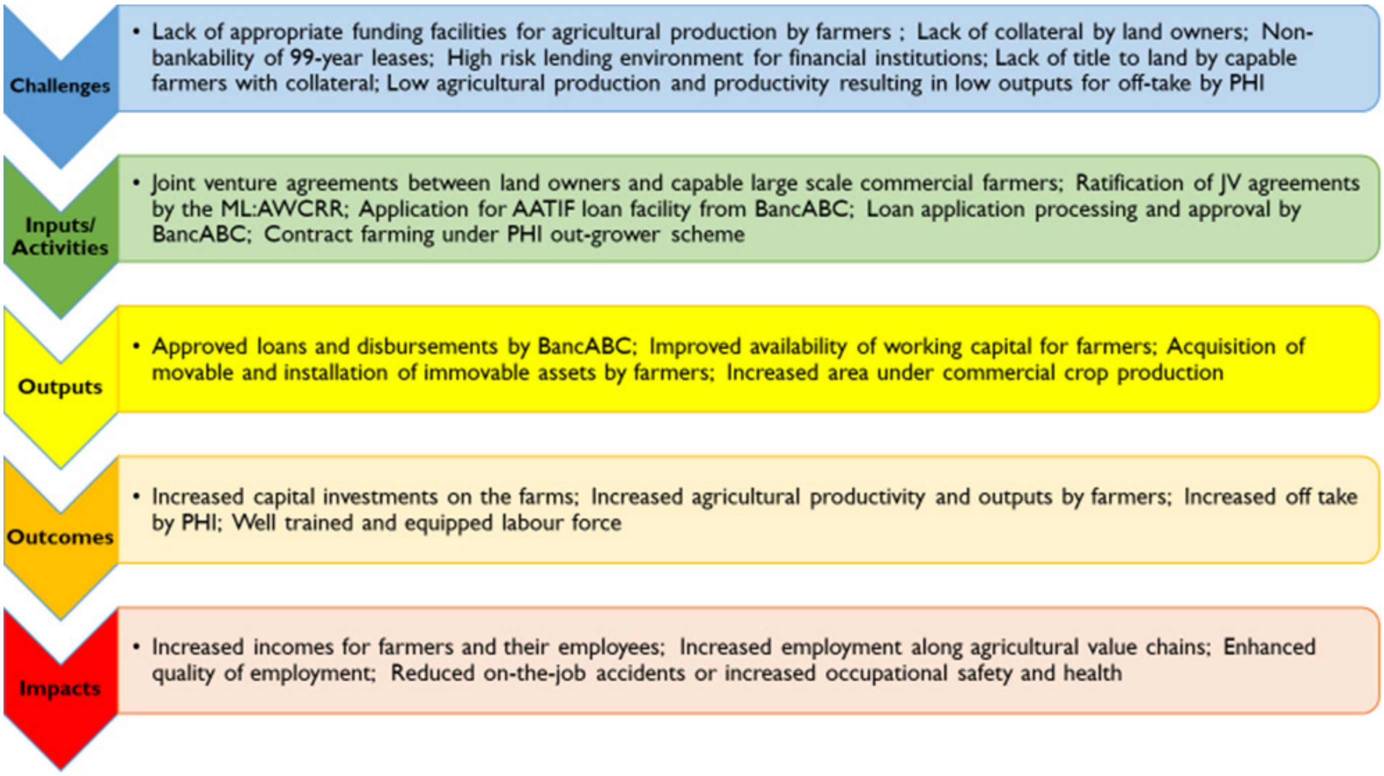
Since PHI is not a funding organisation or financial institution, historically it has encountered significant challenges recovering bad debts after funding inputs given to farmers for grain production. PHI has experienced collection challenges both with farmers under the BancABC facility as well as with farmers under separate contractual arrangements. In addition, during the production season the Government continued to institute regulations that affected the functioning of grain markets to the detriment of the company's business model. The new grain trading regulations have restricted direct acquisition of grain from farmers but to do so through the Grain Marketing Board (GMB). PHI highlighted that this regulation promoted defaulting by the contracted growers making it difficult for the company to successfully recover the input loans.

Since the bank recovers its loans via PHI (PHI deducts payments due to BancABC before paying the farmers) and since PHI has a 40% guarantee deposited with the bank, the company is compelled to have a robust outgrower monitoring system in place to ensure that it receives enough grain at the right quality standards. This additional monitoring created an additional administrative burden because PHI did not have the capacity internally to do this effectively. Due to this challenge, the company has since weaned the outgrowers to be directly financed by the bank while it limits itself to its mandate of grain procurement.

What prospects does the facility have for sustainability and scalability?

Despite these challenges, PHI is willing and prepared to continue engaging with BancABC's lending facilities to agriculture, including the facility in its current form. The company has a pool of 25 grain producers that it has contracted and will be willing to wean all of them to BancABC and concentrate on its grain trading (aggregating and wholesaling) mandate. PHI believes that the lending model being used by BancABC is sustainable and has great potential for scalability beyond the current three farmers that the bank is piloting with. PHI believes that increased production of grain crops results in increased employment of labour at the farm level and ripple effects beyond the farm gate along the value chain. As the commodities move up the value chain from primary production into post-harvest processes, employment effects tend to diminish in terms of numbers due to sophistication of processing technology, but the quality of jobs tends to improve. Thus, more numbers of workers are expected to be employed at the farm level to engage in lower skilled jobs for primary production processes than for post-harvest processing activities. The quality of jobs improves as we move up the value chain. The effects of the AATIF funding on employment under the BancABC-PHI outgrower scheme are depicted using the theory of change diagram outlined in Figure 1 below.

Figure 1: Theory of Change for AATIF funding under the BancABC-PHI outgrower model



BRINK BOSMAN FARMS

Bosman Farms is one of the three outgrowers contracted by PHI under the BancABC facility. They accessed 12-month loans amounting to ZWL6 million (ZWL3 million in 2018 and ZWL3 million in 2019) for working capital.[26]

The farmer indicated that the funding from BancABC had a positive impact on their farming business. As a farming entity, they had struggled to access adequate funding since they had no title deeds to any land after the land reform program and challenges with 99-year leases not being recognised as collateral by financial institutions. The facility from BancABC enabled the farm to expand hectarage and operate in a more productive manner. In terms of additionality of the facility, it is important to highlight here that whilst the farmers were already clients of good standing with BancABC, the land on which they are operating is not bankable given the political circumstances surrounding commercial farmland that was transferred under the FTLRP. The facility, in collaboration with the Ministry of Agriculture which ratified the joint ventures forged between the outgrowers and resettled farmers, enabled these vast tracts of land to be brought into commercial production, generating income and employment in the surrounding areas.

Bosman Farms believes that the BancABC/PHI financing model can be improved through f**ocusing the financing more on the acquisition of fixed assets such as centre pivots for irrigation and grain silos** for grain storage. The farmer also recommends that the bank consider high value moveable assets such as combine harvesters and tractors as collateral when lending to the farmers. The working capital loan is not by itself sufficient to bring the farm to optimal production and productivity because of the capex needs of the farmers.

With regards to employment, Bosman Farms indicated that **the number of employees on the farm has increased almost three-fold due to the funding**, from 12 fulltime permanent employees before the loan to 34 of which 100% were male. In addition, Bosman Farms recruited 82 non-permanent workers after accessing the funding from BancABC, all of them women. These were all new recruits who were not employed the

26 At the time, the ZWL and the USD were pegged at 1:1 meaning that ZWL3 million was equivalent to USD3 million

previous season. The higher skilled jobs, which also required more effort (centre pivot operation) were given to male workers, whilst the casual roles were given to female workers. The farmer noted the skewed gender imbalance in permanent job allocation, explaining that all the permanent jobs had been created in areas where physical strength was required. He further explained that because there was no on-farm processing of grain crops, there was limited scope for creation of permanent jobs compared to the horticulture sector for example, where most permanent packhouse employees are female.

This significant increase in employment is attributed to the expansion of the irrigated area from 210 hectares to 710 hectares because of the funding. The skills profiles of workers also changed significantly since the farm had to employ and train more centre pivot and irrigation pump operators, whose profiles have been upgraded to permanent employees.

As a result of access to the loan, production on the farm has increased owing to expansion in irrigated area as mentioned above and this has result in increased labour requirements. The productivity of the workers has also increased because they have received training in their new areas of operation. The farmer also indicated that due to the expansion in area under irrigation, the farm is now guaranteed of increased productivity of its crop enterprises and can pay workers more than would have been possible in the absence of the facility. The farmworkers are paid above the Government of Zimbabwe stipulated minimum wage rate of ZWL550 per month (which at the time of writing was approximately USD30 at the official exchange rate), with the lowest paid worker receiving USD2 per day, which translates to at least USD44 per month.

Bosman Farms highlighted that health and safety issues have improved with the number of accidents reduced significantly owing to the funding which has required better training of the workforce. Whilst the farmer did not have records of actual incidences in 2018, he noted that accidents involving machinery and equipment operations declined to zero in 2019. This was attributable to the training the operators had received after the farm received funds under the BancABC facility. The funding from BancABC has brought more surety in the farm's cash flow, which in turn has allowed the farm to employ more permanent workers, whereas in the past, with no funding from banks, the farm business was under pressure during the latter part of the growing season and relied on causal labour.

BLUESKY FARMS

BlueSky Farms stated that they were not satisfied with the BancABC financing model and refused to participate further in the interview process. However according to the bank, BlueSky accessed USD2.8 million in loans for working capital for the 2018 maize farming season. In triangulating this with BancABC, the bank indicated that the discontent with BlueSky was related to timing because the farmer lodged his application late so the disbursement was also late which affected his proposed planting dates. The bank highlighted that after Bosman Farms managed to access the facility again in 2019 for working capital, BlueSky then approached the bank a few weeks before the start of the growing season and expected an immediate turnaround on his application which was not possible given the systems and procedures within the bank. The subsequent disbursement delay was not well received by the farmer but was still able to produce as planned.

AMDERMA FARMS

Amderma Farms indicated that they had now opted out of the PHI/BancABC contract farming scheme and were no longer into farming due to financial challenges and the deteriorating economic situation in Zimbabwe. According to the bank, Amderma received a loan of ZWL3 million for working capital in the 2019 season. The funds were used in the production of maize, soybeans, potatoes, and wheat and are due to be repaid in Q2 2020. They opted not to comment on the impact that the facility had on their farming operations, preferring that all questions be directed to PHI and BancABC instead. In triangulating this with

BancABC, the bank stated that disagreements with Amderma Farms arose when Amderma indicated that they wanted to use the funds for initiatives that were not aligned to agricultural production[27].

PERMANENT AND TEMPORARY EMPLOYEES OF THE FARMERS/ OUTGROWERS

In Zimbabwe post the FTLRP, some agricultural researchers contend that the category of 'farm worker' which is central to the existing discourse and almost all research and policy analysis, is no longer relevant. Those who were formerly farm workers — both women and men — on white-owned, largescale commercial farms are pursuing a whole range of livelihood activities, including farming, off-farm employment, natural resource extraction, as well as selling labour to new settlers on small-scale farms. A recent study that investigated a sample of 100 former farm worker households, resident in compounds on three former large-scale farms in the high-potential Mvurwi area, where two of the three BancABC outgrowers are located, plus 23 smallholder A1 settler households who were formerly farm workers. The study highlighted the tension between gaining new freedoms, notably through access to land, and being subject to new livelihood vulnerabilities through loss of formal employment opportunities on LSCFs. Based on detailed survey work of both compound dwellers and A1 households (focusing on 23 who were formerly farmworkers), the study examined emerging patterns of social differentiation and class formation, identifying different 'classes of labour'. Through a series of biographies, these new patterns of livelihood were contrasted with former wage employment on large-scale farms. It is clear that the farm workers who now have their own pieces of land have additional livelihood options, but in some instances the benefits of these options do not outweigh the benefits of being fully employed by LSCFs (and not underemployed as is the currently the case with most former farmworkers).

Therefore, labour is more available for LSCFs now than it was before due to the underutilisation of land in the resettled areas and the consequent underemployment of labour in those areas. This has pushed down the wages earned by the generality of farm workers, although the outgrowers in this study were paying wages in line or above the General Agriculture and Plantation Workers Union of Zimbabwe.[28]

Due to the limited participation of the 3 outgrowers, the study team was not able to meet with their farm workers. However, the study team managed to discuss with the farm owners who corroborated the study findings highlighted above. Key insights from these discussions included:

- The old commercial farming model where farm workers were beholden to the farm owner were non-existent in the Mvurwi area
- Farm workers did not rely solely on agricultural labour for their livelihoods, but now had the freedom to pursue other income generating activities outside of working on the outgrower's farm. This included working on their own pieces of land and engagement in petty trading. However, as noted above, these new livelihood options are not always as beneficial as fulltime employment on the LSCFs
- Increased mechanisation resulted in lower employment opportunities, especially for the lower level farm workers, as opposed to the semi- and skilled workers such as tractor drivers and centre pivot operators
- Farm workers who had their own pieces of land are better off than those relying solely on farm labour provision.

27 Indications were that Amderma wanted to finance acquisition of earth-moving machines for their civil engineering business.

28 The General Agriculture and Plantation Workers Union of Zimbabwe (GAPWUZ) is a voluntary, democratic, non-partisan and autonomous trade union organization. It promotes, advances, protects and works for the improvement of living and working conditions of workers in the agricultural sector.

ANALYSIS AND RECOMMENDATIONS

06

Providing farm labour alone is insufficient to survive for farm workers and other livelihood options must be sought and although farm work is important, no group can be defined exclusively as 'farm workers' post the FTLRP. While the labour market, driven in particular by tobacco, is important, and seasonal demand is high, there is clearly 'surplus' labour in the restructured Zimbabwean agrarian economy, resulting in a diversification of strategies for survival. How then do former farm workers make a living beyond selling labour? Our analysis from the literature reviewed during this study shows that access to land is crucial and engagement in agricultural production on own farms is an increasingly important livelihood strategy for current and former farm workers. Before land reform, farming was generally not possible for those living in the compounds.[29] Migrant workers who did not benefit from the FTLRP have fewer livelihood options as they do not own land on which to farm, and on the other hand employment opportunities in the former LSCFs have been reduced as commercial farmers were replaced by resettled farmers who are not utilising the land allocated to them fully.

WHAT ARE THE MECHANISMS THROUGH WHICH AATIF FUNDING IMPACTED ON EMPLOYMENT?

Access to finance has been a major constraint for both smallholder and commercial farmers in Zimbabwe for the past decade. This is especially so for newly resettled farmers who benefited under the fast track land reform programme as their land is considered "contested" and therefore not funded by the mainstream commercial banks in the country. Some former commercial farmers who lost their land have engaged the newly resettled farmers to lease their land in return for a share of the profits of the farming enterprise. These former commercial farmers also struggle to access financing since they do not have title in the form of offer letters. To this end, the loans extended by BancABC have been crucial because they have increased liquidity in the financial market, providing an alternative financing channel that was non-existent before. Through this financing, employment has been impacted in the following ways:

- Farmers such as Bosman Farms have increased land under cultivation which has in turn increased the number of skilled and unskilled workers employed
- Farmers have invested in sophisticated machinery such as centre pivots which has increased the demand for skilled workers such as centre pivot operators
- Quality of jobs and skills of farm workers have improved through increased access to training because of AATIF funding
- The number of permanent skilled jobs has increased because of the increased level of sophistication on farms that received funds from BancABC. However, the number of permanent skilled jobs is still significantly lower than the number of unskilled jobs
- In some instances, access to funding has enabled farmers to engage in more labour-intensive crops which require more labour days per hectare to cultivate. This has a direct impact on the number of jobs created. This was the case with Amderma Farms who ventured into potato farming which has a much higher labour requirement than the grain crops under the PHI outgrower model. Table 1 below shows the different labour requirements for the different crops grown under this facility

Table 2 Labour requirements per hectare (pre-harvest)

CROP	LABOUR DAYS/HA
Maize	11
Soybeans	8.5
Wheat	17
Potatoes	100

Source: AGRITEX

29 Scoones and Sukume (2018)

As highlighted in Table 1, the choice of crop has a direct correlation with the amount of labour days required to bring the crop to maturity. Given the changed labour structure in the former large-scale commercial farming area of Mvurwi, farmers prefer to produce crops whose labour demand is not intensive. However, a facility such as the one provided by BancABC allows farmers to venture into labour-intensive crop production.

In agriculture, it is common to use a labour input measure (labour intensity) instead of an output measure (labour productivity). Labour intensity is defined as the amount of labour needed in a production process and is calculated as the number of workers required to cultivate one hectare of a specific crop. Two main crop classes are often distinguished based on their cultivation patterns: annual crops and perennial crops. Annual crops (e.g., wheat, corn, and soybeans) perform an entire life cycle in one season and must be replanted every year. Since the process from planting to harvest can be largely performed with the aid of machinery, annual crops are considered capital intensive. Subsequently, there is scope for capital to replace labour. On the contrary, perennial crops (e.g., tea, coffee, and bananas) persist for many growing seasons. Planting, caring for and harvesting these (typically tree) crops require more labour input. They thus provide less scope to substitute labour for capital and are considered rather labour intensive. Therefore, in terms of labour input, there are significant differences between crops for which labour can easily be substituted by capital.

It is plausible therefore that for maximum employment generation, assuming that supply and demand dynamics allow, AATIF can deliberately target more labour intensive value chains.

Source: Scoones and Sukume, 2018

WHAT TYPES OF QUANTITATIVE AND QUALITATIVE EMPLOYMENT IMPACTS CAN BE ATTRIBUTED TO AATIF FUNDING?

There was evidence from our engagements with the outgrower farmers that employment of both skilled and unskilled labour increased as a direct result of AATIF funding. Specifically, Bosman Farms noted that they had to increase the number of permanent skilled workers on their books to operate the new machinery procured after accessing working capital from the bank, which freed up resources for capex expenditure.

In addition, the farm workers benefitted from training provided by the owners to enable them to operate this new machinery. From an economic perspective, there was an increase of money flowing into the local economy because of the wages paid to formally employed farm workers, whether they were contract workers or permanent workers that were engaged. The table below shows the numbers of employees disaggregated by gender. There were more non-permanent female farmworkers engaged than males whilst there were more males engaged as permanent workers.

Quantitively, the following can be attributed to AATIF funding:

- Number of skilled jobs created
- Number of semi and unskilled jobs saved
- Number of upstream jobs created in on-farm post-harvest processing

Qualitatively, the following can be attributed to AATIF funding:

- Quality of skilled jobs created on-farm
- Upskilling because of training provided
- Quantity of money circulating in the local economy because of increased expenditure by formally employed farmworkers

Table 3 Increase in permanent and seasonal workers 2018 to 2019 farming season

	Permanent		Seasonal	
	Female	Male	Female	Male
Amderma Farm	28	12	40	20
Brink Bosman Farms	0	34	82	0
Total	28	46	122	20
% Female	**38%**		**86%**	
Increase from previous year	**23**		**38**	
increase data not disaggregated by gender due to data unavailability				

ILLUSTRATIVE INDICATORS AND REPORTING REQUIREMENTS FOR MONITORING AND REPORTING OF EMPLOYMENT EFFECTS

According to the AATIF, the Fund is committed to prioritising investments that contribute to improving food security, create employment and boost local incomes. AATIF therefore seeks to track, measure and report on the social and environmental performance of its investments to assess its progress and impact along a set of indicators that include:

(i) Increases in agricultural production and productivity levels

(ii) Generation of additional employment opportunities

(iii) Investee company outreach to smallholder farmers

(iv) Increases in farm and overall household income

(v) Improvement in living and working conditions

From our engagements with BancABC there is a reporting system in place which allows the bank to report quarterly to AATIF on aspects such as loan amounts, repayments, and employment numbers (total employment number, disaggregated by sex and contract type). BancABC conducts quarterly farm visits to assess the above indicators before reporting to AATIF.

BancABC stated that collecting and reporting the quantitative indicators such as loan value and employment numbers did not place a burden on their internal processes and systems as they already had these in place for other clients. However, the qualitative aspects such as social and environmental standards required additional capacity which they managed to access through the AATIF Technical Assistance facility and the bank is now proudly recognised within the Atlas Mara group as the S&E leader. Additional indicators that could have been captured under this facility include:

- Increase in productivity per hectare
- Expansion of crop/livestock enterprises
- Increase/decrease in use of mechanisation

BancABC already has a farm visit and reporting system in place to capture data from its clients as mentioned above. The inclusion of these additional indicators should therefore not be an additional administrative burden for the bank.

CONCLUSION

07

Evidence from this assessment indicates that AATIF funding provided significant benefit to BancABC, PHI, the outgrowers, resettled farmers and farm workers. Whilst there are some limitations, especially on the issuance of working capital loans only, overall, the facility has had positive employment, production, and productivity impacts as highlighted below.

For BancABC, the AATIF funding has enabled the bank to expand its corporate relationship both with PHI and individual commercial outgrower farmers. Although the volatile fiscal environment in the country affected the disbursement of capital expenditure loans, the working capital loans disbursed allowed the bank to expand its footprint in the agricultural sector in Zimbabwe. In addition, the bank has gained significant skills in social and environmental compliance and, according to BancABC, they are now recognised within the broader AtlasMara group as the leading African office in S&E compliance and training.[30]

The major benefit for PHI was the expansion of its supply base through contracting outgrowers to produce on its behalf. PHI noted though that there were challenges with debt collection as they did not have systems and personnel in place to manage this aspect of the outgrower model. PHI's preference is to work with outgrowers for one season and then wean them off to borrow directly from the bank whilst they continue buying from them once they have produced. This will reduce the administrative burden of on-lending and collecting repayments at harvest time.

The outgrowers stated that the facility injected much needed liquidity into a subdued lending market driven by the unfavourable macroeconomic and fiscal environments in Zimbabwe. More importantly though, the facility had the added benefit of enabling the outgrowers to farm on land they otherwise would have been unable to do so through commercial agricultural financing. This is because the outgrowers are farming on resettled land which does not have title deeds, so through executing a joint venture with the resettled farmers, which was then ratified by the Government and then financed by BancABC, the farmers were able to bring vast tracts of land into commercial production.

Another area of additionality brought about by AATIF funding was the benefit to resettled farmers. Ordinarily, the resettled farmers would accrue limited benefit from a portion of their new farms due to lack of capital and technical knowhow. However, through this facility and via the JV partnership with the outgrowers, the resettled farmers benefitted from the productive use and expansion of their land as well as the increased revenue they received from the partnership.

Farm workers benefited in several ways. Firstly, there was an increase in the number of permanent and causal farm workers hired by the outgrowers after accessing the loans from BancABC. It was discouraging to note though that most permanent positions went to male farm workers whilst most casual positions went to female farmworkers. This was mainly because the permanent positions tended to require more physical strength e.g. centre pivot operation. Secondly the skills level of the farm workers improved through additional training provided by the outgrowers after accessing AATIF funding through the BancABC facility. Due to increased productivity on beneficiary farms, farm workers earned higher than the government minimum wage. In addition, farm worker safety was enhanced, with zero accidents recorded at Brink Bosman Farms.

The AATIF funding through BancABC has worked well but can have even greater positive effects in terms of employment and agricultural productivity if it is structured according to the farmers' needs in terms of tenure and implements that can be financed. The farmers need long-term loans that can be used to purchase capital equipment whilst the bank was offering short-term loan facilities that cover working capital only. There is need for the bank to strike a balance between meeting the outgrowers' expectations and hedging against erosion of its capital. The bank should upscale the Bosman Farms model in subsequent funding rounds given its evident success and positive employment impacts highlighted in this report.

30 Interview with BancABC S&E Compliance Officer, March 2020

In addition, AATIF funding could also target labour intensive value chains such as perennial crops which require more labour input per hectare compared to annual crops which were targeted under the BancABC-PHI facility.

Given the challenging economic and fiscal environment in Zimbabwe, the AATIF funding administered through BancABC came at an opportune time for Zimbabwean agriculture in general, and for PHI and the outgrowers in particular. The facility had a positive impact across the value chains of focus under the PHI facility, as well as in other value chains that the individual farmers ventured into separately outside the PHI outgrower model. Looking ahead, once the bank can viably offer long term capital expenditure loans without the fear of capital erosion through Reserve Bank policy pronouncements the facility can be expanded to other value chains and farming regions in Zimbabwe.

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ANNEX 1 INTERVIEWEE LIST

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Kevin Horsley	Amderma Farm	0772296184	kevin@keli.co.zw
Roland Fourie	PHI	0772352631	rfourie@phizim.com
Tendayi Maura	BancABC	0771674914	tmaura@bancabc.com

ANNEX 2 AGRARIAN LABOUR HISTORY IN ZIMBABWE[31]

Pre-independence, the conditions were notoriously poor, with low wages, inadequate accommodation and limited services. By the mid-1960s, 206,781 permanent workers, mostly men, were employed in commercial agriculture in Zimbabwe, up from 130,636 in 1945. Other workers, often women, were hired in for shorter periods for seasonal piecework. A significant proportion of this labour force was on large estates, notably the sugar estates in the Lowveld. Within the commercial farms, labour was concentrated in the high-potential regions, and particularly on the increasingly profitable tobacco farms. Many permanent workers gained significant skills in field agronomy, equipment repairs, agricultural processing and more, and those promoted to farm management roles were vital in the operations of large, commercial business operations.

Following Independence in 1980, the commercial farming sector and the regulatory and policy environment changed. With the reduction in subsidies for white commercial agriculture, and an increasingly competitive global market for agricultural commodities, farms had to specialize and upgrade in order to engage with global value chains, whether around tobacco, horticulture, citrus or beef. With markets opening up following the end of the sanctions regime, there were growing sanitary and phytosanitary requirements for export to markets in Europe and the USA, where preferential trade options were created. The new government also imposed a set of labour regulations, requiring minimum wages to be paid, along with basic conditions of housing and welfare provision — although such regulations were often not enforced. These changes in the operating environment resulted in a greater professionalization of labour arrangements, combined with a growth in the proportion of temporary, casual labour. Sometimes living on the edge of farms in informal compounds or in nearby communal areas, such farmworkers, often highly impoverished migrants, combined temporary wage work with other livelihood activities. On the farms, a more hierarchical, permanent workforce emerged, with grades and roles more clearly defined.

By the late 1990s, there were estimated to be around 150,000 permanent workers on commercial farms, including large estates and plantations, and the commercial agricultural sector employed around 200,000 additional workers on temporary contracts. By this time, several generations of families had lived on the farms, often moving from farm to farm depending on the availability of employment. While conditions had improved to some degree, options for leaving farm employment were restricted, and the paternalistic dependence on the farm owner persisted. This all changed in 2000, with the acceleration of land invasions across the country, and the initiation of the Fast Track Land Reform Programme (FTLRP), presaging the emergence of a new labour regime. Figures are hard to come by, and much disputed, but after land reform in 2000, around 70,000 farmworker households continued to have employment on remaining farms and estates, about 25,000 were displaced in situ, remaining on the farms but initially without work, and approximately 45,000 households were forced to move (Chambati, 2007). Permanently employed farmworkers lost out significantly from this reform, and issues of rights, welfare and deepening poverty of these populations have been repeatedly raised.

Notionally progressive legislation to improve wages and worker rights, such as requirements for minimum wages, has often acted to accelerate informalization, as employers attempt to evade regulations. In South Africa today, for example, there has been a significant decline in formal, permanent employment in large-scale agriculture in the last decade.

31 Adapted from Scoones and Sukume (2018)

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CASE OF THE PAPERHOLE INVESTMENTS OUTGROWERS SCHEME

Report prepared by DevPact for ILO Geneva, June 2020.

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