



CROWN AGENTS
ACCELERATING SELF-SUFFICIENCY & PROSPERITY



BUSINESS-BASED SOLUTIONS IN HUMANITARIAN CRISES: LESSONS FROM ZIMBABWE



Credit: Cynthia R Matonhodze 2017/CARE

EXECUTIVE SUMMARY /

In response to heightened food insecurity in Zimbabwe, Crown Agents and CARE, through the Grain Trade Market Facility, utilised existing market structures to avoid a potentially devastating food disaster. Using innovative solutions that brought together both the public and private sectors the programme ensured that people could meet their basic food needs through mobile money transfers. Utilising private sector systems increased access to funds and guaranteed market demand. This improved the availability of grain nationwide, maintained price stability and ensured vulnerable households were able to meet their basic food needs.

BACKGROUND/

1. Humanitarian context

The 2015/16 agricultural season in Southern Africa was the driest in 35 years. In a region where over 70 per cent of the population is dependent on agriculture for their livelihoods, and following two, and in some cases three, consecutive years of drought, El Nino had devastating impacts on the lives and livelihoods of farmers and herders.

The 2015/16 harvest assessments indicated a regional shortfall of nearly 9.3 million tonnes of cereal productions. The high regional deficit was anticipated to drive up staple food prices and constrain the already limited purchasing power of vulnerable families. By September 2016 the situation was already urgent, with at least 40 million people projected to be food insecure across the region in the 2016/17 lean season, with 22 million people requiring immediate assistance. Drought emergencies had been declared in Botswana, Lesotho, Namibia, Swaziland and Zimbabwe.

In Zimbabwe, the poor harvests had resulted in heightened food insecurity, rising from 2.8 million people in 2015/16 to nearly 4.1 million people in the lean season of November 2016 to March 2017. Simultaneously, the prevailing economic situation in Zimbabwe had resulted in a severe liquidity crisis, with the authorities putting in place tight measures restricting the movement of funds. This resulted in local maize importers being left either indebted to their foreign suppliers for grain that had already been delivered or without means to make payments for any new orders. Despite humanitarian actors struggling to effectively engage with pre-existing markets, supply chains and private sector operators, there was a clear need for a market-based solution to increase food security, maintain price stability and avert a hunger crisis in Zimbabwe.

2. Context of intervention

At the macro-economic level, the liquidity crisis imposed major barriers on Zimbabwean importers. Commercial grain traders, unable to transfer US dollars out of the country, were no longer able to purchase grain from regional, surplus-producing countries such as Zambia. This market blockage could potentially have had a significant and direct negative effect on DFIDs cash-based programmes implemented by CARE and World Vision. DFID addressed this constraint through funding an innovative, market-based solution called the Grain Trade Market Facility, which was managed by Crown Agents, a global international development non-profit. Commercial importers of grain would deposit funds into the facility in Zimbabwe, with Crown Agents settling international contracts on their behalf. The UK government would credit Crown Agents with equivalent funds, with the local currency eventually either being repatriated or used to fund local programmes. Through the facility, commercial grain traders were able to import 55,000 metric tonnes of maize to sell on the open market, enough to meet over 1.6 million people's food requirements for three months.

CARE's 'Emergency Cash First Response to Drought-Affected Communities in the Southern Provinces of Zimbabwe'

CARE International, in partnership with World Vision International (WVI), implemented the DFID-funded Cash First programme from August 2015 to May 2017. To date, it is the largest cash transfer programme carried out in Zimbabwe in response to urgent humanitarian needs.

The programme provided unconditional, multi-purpose cash transfers¹ via mobile money totalling US\$40.9m to 73,718 households (over 400,279 individuals) to enhance the food security and reduce the negative coping strategies of vulnerable drought-affected households in four provinces. The programme's objective was to address basic food and nutrition needs and to enable households to cope with food shocks by enhancing asset retention. The cash transfers also aimed to empower women and stimulate local markets. Two national mobile network operators were engaged in the delivery of the cash transfers: Econet and NetOne, whose mobile money subsidiaries are EcoCash and One Wallet.

The Grain Trade Market Facility complemented the CARE's Cash First programme by ensuring that people could purchase the maize through mobile money transfers. Grain traders benefiting from the facility committed to selling the imported grain at agreed, affordable prices in rural markets where the cash transfer programme was operating.

BUSINESS-BASED SOLUTIONS IN HUMANITARIAN CRISES/

3. Overview

The Grain Trade Market Facility was a good example of working within existing market structures to help support the private sector to perform its normal market functions at a macro-economic level. Crown Agents brokered a solution which brought together data and expertise from the public and private sector to improve the availability of grain nationwide and respond to the domestic market demand, maintain price stability and, most importantly, ensure that vulnerable households were able to meet their basic food needs. The intervention ensured the "worst rainy season for 38 years did not translate into a food disaster".

4. How the intervention worked

CA and CARE utilised data and market assessments to identify the 15 districts most vulnerable to food shortages in Zimbabwe and mobilised the private sector to meet this need. The utilisation of the private sector ensured a rapid and efficient response, with 60,000 metric tonnes of grain delivered to all 15 districts. The first grain deliveries reached the target districts within weeks of being dispatched by the exporter and the grain was moved from South Africa to the target districts with no leakages.

¹ Cash transfers were chosen as the markets were functioning. Mobile money was chosen as the delivery mechanism due to its high level of cultural familiarity for Zimbabweans, extensive coverage levels across the country, and because CARE found it to be the most operationally efficient and timely way to deliver cash. Eighty-five per cent of the adult population were found to subscribe to mobile services and the number of adult mobile money subscribers is said to be double that of Sub-Saharan Africa. In rural areas, people were mostly familiar with mobile money in the form of receiving remittances from relatives and cashing out.

To mitigate procurement risks Crown Agents conducted a four-stage due diligence process on all potential suppliers which included checks on supplier’s ethical codes of conduct and financial history. Crown Agents approached 60 reputable companies that are members of the Grain Millers Association of Zimbabwe (GMAZ) and Grain and Oil Seeds Traders Association of Zimbabwe (GOTAZ), which ensured there was a wide and varied pool of reputable companies. The pool was then shortlisted through a pre-qualification of which 15 expressed interest and subsequent tender process where five companies submitted a bid and two were finally selected. In addition, companies passed or failed dependent on their assessed risk rating and compliance with global ethical policies such as anti-fraud, bribery and anti-corruption.

Market demand and access was guaranteed through CARE International’s programme of non-conditional cash transfers in targeted areas. Ensuring market demand enabled Crown Agents to negotiate a reduced fixed price of grain from the importers and guarantee that the grain would be delivered to the selected districts. Funding to the importers was released in stages after the successful transportation of grain to the selected districts which ensured importers complied with the agreed conditions. The intervention was responsible for maintaining grain price and market stability because importers could continue distributing the grain to the last mile, with the assurance that grain reserves would be replenished through the intervention. Normally, the importers supplied a range of food items in Zimbabwe and reported that the grain price stability contributed to price stability of other food items/commodities.

5. Innovative responses

CARE	Crown Agents
<p>Identification of recipient household’s and registration:</p> <ul style="list-style-type: none"> Identified the most food insecure and vulnerable households to receive the cash transfers and registered them for assistance. Supported the mobile money operators to carry out the registration of recipient households on the mobile money platforms. <p>Management of the cash transfers:</p> <ul style="list-style-type: none"> Identified, contracted and managed the partnerships with the mobile network operators and ensured timely and accurate disbursement of funds. Supported households in how to use the mobile money platform. <p>Engaging and communicating with stakeholders:</p> <ul style="list-style-type: none"> Engaged with government authorities to 	<p>Fund Management:</p> <ul style="list-style-type: none"> Utilised offshore accounts/Crown Agents Bank to offset parallel funds between countries and ensure effective fund management. Adapted our financial systems to fit with the private sector’s existing systems whilst meeting donor transparency requirements. <p>Due Diligence:</p> <ul style="list-style-type: none"> Companies were assessed on their risk rating and compliance with global ethical policies such as anti-fraud, bribery and anti-corruption. The due diligence processes built the capacity of the local private sector in business transparency. <p>Risk Management:</p> <ul style="list-style-type: none"> Crown Agents proactively consulted the private sector through engaging with the

CARE	Crown Agents
<p>ensure complementarity and alignment with the government drought emergency response, buy-in of the project as well as authorization to implement in targeted areas.</p> <ul style="list-style-type: none"> Engaged with the Food Security Cluster as well as co-led the national Cash Working Group to ensure a coordinated emergency response with other aid agencies. <p>Supporting households on effective use of cash transfers:</p> <ul style="list-style-type: none"> Undertook community awareness-raising on shared household decision making, to foster positive household gender relations. Carried out community awareness-raising on positive nutritional practices, to promote enhanced nutritional status of recipients. <p>Accountability:</p> <ul style="list-style-type: none"> CARE had in place a feedback mechanism so people could raise complaints, give feedback or ask questions in relation to the project. CARE would then investigate any issues raised, including potential inclusion/exclusion of household’s errors and adjust the recipient list accordingly. <p>Regional and household level Monitoring and Evaluation:</p> <ul style="list-style-type: none"> Carried out food security surveillance monitoring, market monitoring and liquidity monitoring in order to monitor project impact and manage risk’s accordingly. After every cash disbursement, post-distribution monitoring was undertaken to verify people were receiving and spending the cash without issues, identify areas of expenditure and flag if there were any protection issues being experienced. 	<p>Grain Millers Association of Zimbabwe (GMAZ) and the Oil Seeds Traders Association of Zimbabwe (GOTAZ) early on to identify the risks and opportunities of the intervention.</p> <ul style="list-style-type: none"> Ensured the separation of grant management, cash transfers, procurement and logistics meaning no stakeholder had an incentive or opportunity for misuse of funds. Utilised a payment on results method whereby periodic payments to importers were made based on proof of successful deliveries of maize to the target communities. <p>Legal:</p> <ul style="list-style-type: none"> Issued letters of credit and liquidity support agreements in order to enable importers to re-open their line of credit with exporters, for the purpose of importing the contracted maize, despite the liquidity crisis. <p>Agile Monitoring and Evaluation:</p> <ul style="list-style-type: none"> Utilised data from the Zimbabwean private and public sector to identify community needs and monitor progress of the intervention against targets. For example, utilising private sector import and sales data and NGO community need data to identify areas of potential food crisis. Set up a ‘feedback loop’ between the donor, CARE International and the importers to ensure regular feedback on whether market demand was being met the in targeted districts and prices were remaining stable/affordable for communities. Utilised knowledge of public and private sector monitoring and evaluation and data collection systems to draw out private sector data which would meet donor accountability and transparency requirements.

6. Benefits of the programme

Crown Agents and CARE’s approach to the programme successfully worked across local, national and international boundaries (as show in figure 1). The programme was able to engage different stakeholders by working with the private sector, building the capacity of local systems and ensuring value for money without destabilising the local market or compromising focus.

The programme increased access to funds and guaranteed market demand whilst avoiding ‘non-business’ application processes and monitoring and evaluation structures which they struggle to understand and do not fit within the private sector business systems. By working with in country NGOs the programme increased access to donor funds whilst avoiding currency issues and international transfers of large amounts.

Innovative solutions to ensure efficient, quick and cost-effective delivery

Transparent and depoliticised access to resources – brought together parties from across political divides and separating cash transfers, procurement, logistics and grant management resulting in no ‘leakages’.

Value for money – utilisation of existing resources in the public and private sector and created additional benefits – e.g. capacity building of public and private sectors in competitive processes and due diligence, sustaining private sector which is a major provider of local livelihoods, market stability fed into the local economy.

Building up sustainable structures – utilising private sector systems/supply chains, feeding into the wider market

Empowerment of communities – non-conditional cash transfers rather than food handouts.

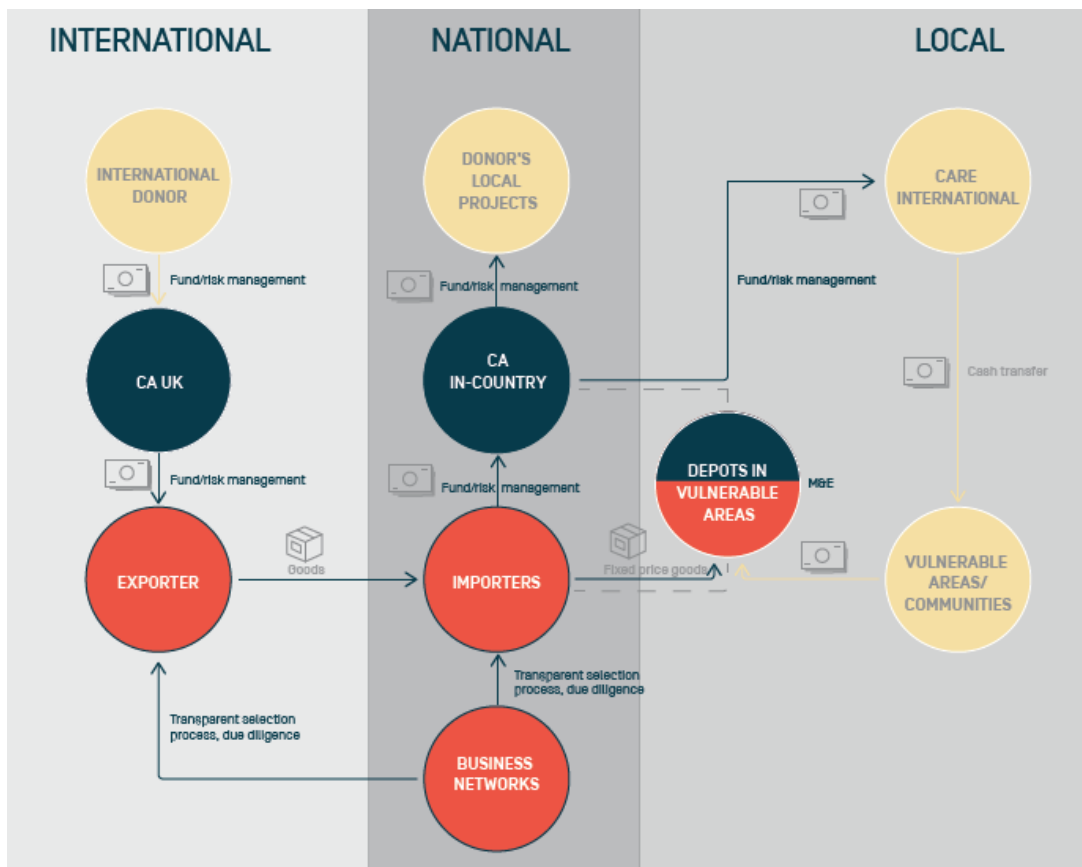


Figure 1 - Delivering across International, National and Local boundaries

LESSONS LEARNT /

- The value for money of cash-based programming and working in partnership with businesses.
- The value of a not-for-profit/social enterprise third-party to facilitate/broker/manage relationship, between private sector, donors and NGOs to ensure effectiveness.
- Having a flexible cash delivery mechanism such as mobile money meant even when liquidity was scarce and people were unable to 'cash out' from the mobile money agent's, people could still access goods/services by purchasing them electronically. This meant that cash transfers were a resilient solution in the face of an economic shock.
- Having a market-based solution helped to stabilise the prices of goods, in this case maize and maize meal. This effectively reduced the need for continuous revisions of the cash transfer value which would typically be a requirement in a high inflation context.