



CRIDF

Supporting climate-smart agriculture with the Mazabuka Resilience Fund

The Mazabuka Resilience Fund (MRF) is a revolving credit facility that provides access to finance for smallholder farmers in the Zambian town of Mazabuka. With the support of Zambia Sugar and Illovo, Africa's largest sugar producer, Mazabuka has become an important centre of sugar production. However, the town's smallholder farms are vulnerable to water stress and climate change. The Climate Resilient Infrastructure Development Facility (CRIDF) has helped develop the MRF to support resilience-building activities that address these vulnerabilities, including improvements to the efficiency of irrigation systems and the adoption of solar energy in the town's sugar production.

MAKING CLIMATE-SMART AGRICULTURE AFFORDABLE

Investing in climate-smart agriculture is often expensive, and current financial markets and interest rates prevent many smallholders from borrowing the necessary money. The MRF addresses this by allowing Mazabuka's smallholders to access affordable finance, at reduced interest rates, so that they can strengthen the resilience and sustainability of their farming and water management practices. Access to affordable finance also enables smallholders to improve their sugarcane yields, supporting their livelihoods and providing an economic boost to the local communities in which they live.

The MRF is also of interest to Illovo and Zambia Sugar. Sugar mills are very capital-intensive facilities that cannot afford to stand idle, and must be continually supplied with sugarcane. One of the biggest threats posed by climate change to large companies like Illovo and Zambia Sugar is that farmers are no longer able to produce the quality and quantity of sugarcane they did in the past. The MRF is important to both companies as it supports smallholders to maintain or improve production in the face of climate change and shifting water patterns – ensuring that local mills are fed a constant supply of sugarcane.

AN ATTRACTIVE PROSPECT FOR FINANCIERS

For long-term sustainability, the MRF will need to seek investment from the open market. Fortunately, it is likely to be of interest to financiers because it has been developed and is guided by people working in the sugar business. The history of agricultural finance shows that a strong technical understanding of the crop or commodity in question significantly reduces the risks to the funding operation. The MRF combines the local knowledge of its members with the technical support of Zambia Sugar, allowing it to know not only who their smallholders are and what technical and financial limits they might face, but what technical interventions are needed to improve production.

In addition to low-risk returns, financiers are increasingly keen to support the United Nations' Sustainable Development Goals by investing in sustainable projects. The MRF, through its support of climate-smart farming and rural livelihoods, offers investors an opportunity to not only help fund significant social and environmental impacts, but to earn a return at the same time.

KEY LESSONS FROM CRIDF'S INVOLVEMENT IN THE MRF

CRIDF's role in developing the MRF has reinforced the importance of meaningful participation of key stakeholders through regular engagement and open communication, especially between Zambia Sugar and the Mazabuka's smallholders. The COVID-19 pandemic made this especially challenging as it significantly reduced the opportunities for CRIDF to meet stakeholders face-to-face – something which is invaluable for building trust and strengthening relationships. In addition, difficulties in handing over project ownership from CRIDF to Zambia Sugar in 2021 highlighted the necessity of clearly establishing project ownership and responsibilities early on in a project.

Another lesson from CRIDF's involvement in the MRF relates to the nature of working with the private sector. Although the involvement of business is essential to the success of the MRF, it is important not to view private sector collaboration as a panacea for problems facing agriculture and water. Even companies with a strong sense of corporate responsibility, such as Illovo and Zambia Sugar, ultimately exist to make money. Implementors will need to keep this in mind when designing and implementing future projects in order to avoid relying too heavily on the private sector.

NEXT STEPS FOR FUTURE SUCCESS

The future success of the MRF depends on it successfully seeking funding from the open market. To achieve this, Zambia Sugar will need to further develop and refine the MRF to ensure it is ready to enter the open market. Zambia Sugar will also need to ensure that the resilience-building activities funded by the MRF – conversion from flood to drip irrigation, replanting and solar panel installation, for instance – are carried out under its technical guidance.

The MRF is implemented by the Mazabuka Sugarcane Growers' Trust. The Trust has provided loans to smallholders for several years, but to date this has happened in a fairly informal and unplanned way. Providing the Mazabuka Sugarcane Growers' Trust with the necessary financial and technical capacity and resources, so that it can manage the revolving fund in a sustainable and responsible manner and adopt a more structured approach to loan provision, will also be central to the success of the MRF.

Although still under development, the Mazabuka Resilience Fund is nevertheless a promising development for Southern Africa's sugar industry, showing how funds for strengthening smallholder resilience to water stress and climate change can be of interest not only to smallholders themselves, but to sugar manufacturers and financiers. It is hoped that this broad appeal will support the MRF's long-term success and sustainability and serve as a model for future funds.

