

ILO VALUE CHAIN STUDIES FINAL STUDY REPORT



FINAL REPORT PRESENTATION



AGENDA



- **Welcome and Introductions** 10:00-10:05
- **Study Context** 10:05-10:20
- Overall Study Findings 10:20-10:40
- Value chain Selection 10:40-11:10
- Challenge Fund Design 11:10-11:30
- Recommended Next steps 11:30- 12:00

TOR: Desk Study



- To “review relevant and recent value chain studies and projects
 -
- *Review of all previous studies and value chain projects*
 - *identifying economic sectors that have potential for private sector-led, employment intensive and environmentally sustainable growth especially in rural areas*
- *Development of subsector criteria*
 - *select 5 subsector value chains, in which skills development is a critical success factor for productivity, growth and competitiveness.*

TOR: Final Report



- **Value chain mapping**
 - *characterise the product market to include sources of raw materials, buyers, mechanisms for information flow within the value chain, and key supporting services (energy, transportation, training etc)*
- **Brief product and industry profile** that should
 - **Market, production and trade data**
 - **Key drivers of the demand for the product**
 - **Identify key** segments and activities in the chain where poor performance or **inefficiencies due to shortage of skills** severely undermine the competitiveness of the entire value chain

What did we do?



- Analysed literature on Zimbabwe's economic performance
- Reviewed subsector studies conducted in Zimbabwe
 - strong bias to agriculture (rural, stage of economy, ease of entry)
- Developed customised selection criterion
 - value chain maps & channels
 - Driving forces & interventions
- Developed customised subsector reports
 - Five subsectors
- Designed a challenge fund framework for ILO
 - Rationale
 - Governance
 - Management
 - Performance management

Final Report Contents



- Poverty and unemployment in Zimbabwe
- Youth and youth challenges in Zimbabwe
- Highlights of selected subsectors in Zimbabwe.
 - Key driving forces and opportunities for intervention
 - Geographical distribution of subsectors
- Overall intervention recommendation
 - Challenge Fund design
 - Indicative subsector development indicators
 - Indicative participants in the value chains
- Next steps
 - Specifics for setting up the challenge fund

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Economy of Zimbabwe



Focus: Understand the key drivers of the economy and how the structural demand and supply issues impact on value chains targeted for youth economic empowerment

▪ Analytical Framework

What does the economy look like?

- What is the structure of the economy?
- What is the socio-economic context?

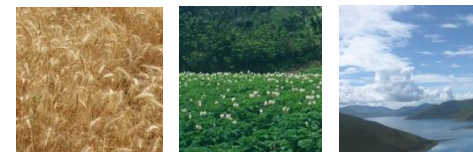
What is constraining the economy?

- What is the import/export relationship?
- What is the industrial capacity utilisation?
- What are the psychographic structure?

Where are the pockets of opportunities?

- Which sub sectors are growing and why?
- What is the link to youth economic empowerment?
- What are the missing links to that vision?

Structure of Economy

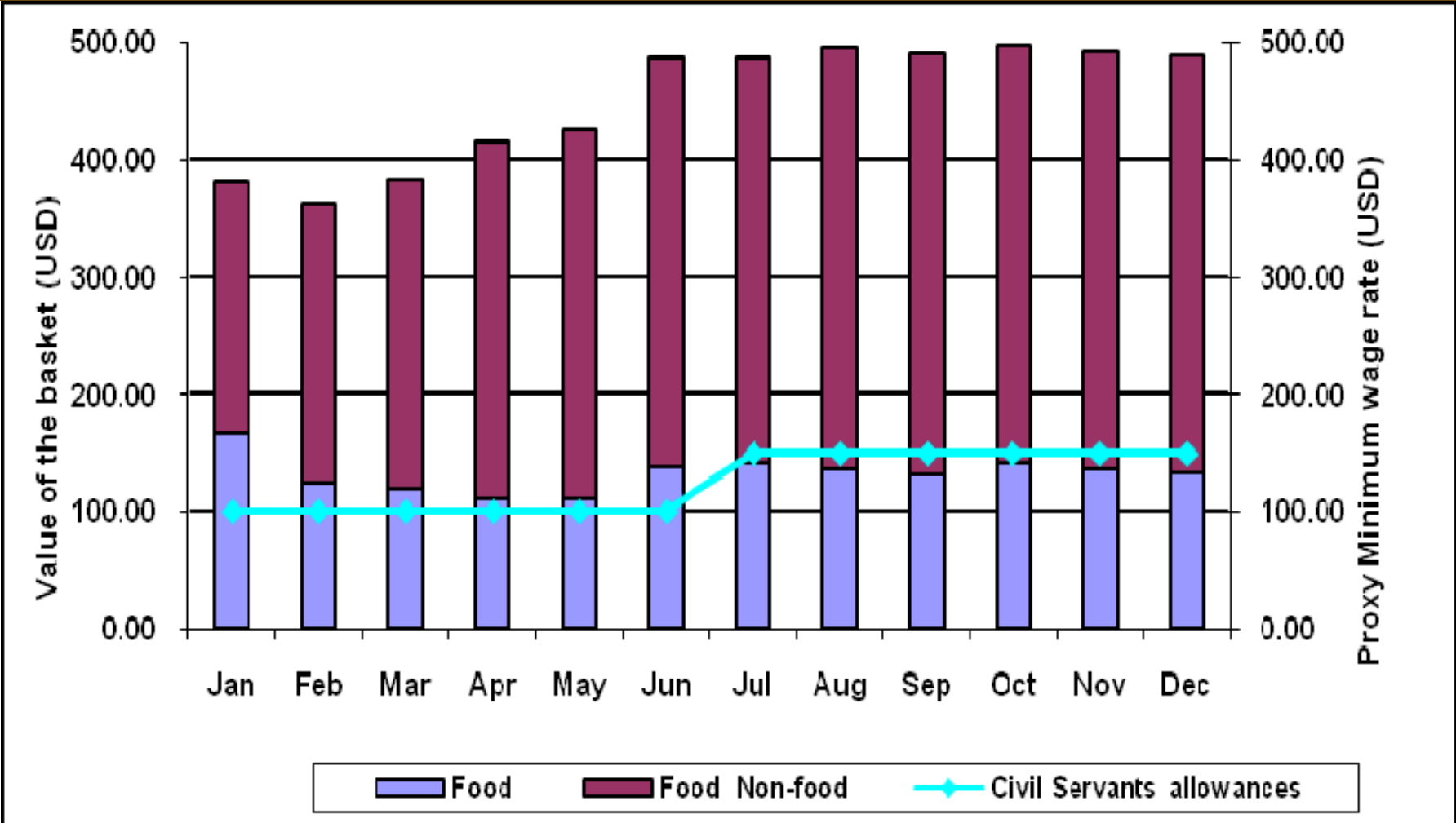
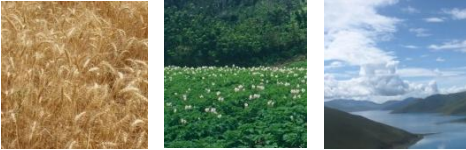


Focus: Understand the key drivers of the economy and how the structural demand and supply issues impact on value chains targeted for youth economic empowerment

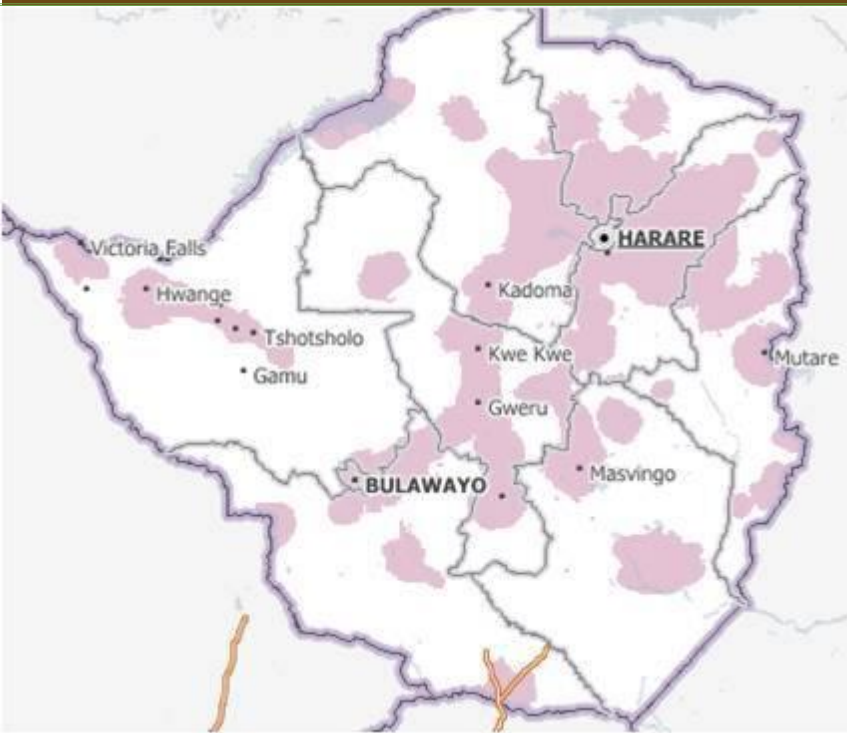
Fiscal Policy Review Sectoral Growth Rate Table

Sector	2008 Actual	Revised Est.	2009	Original Projections	2010	2010 (Revised Projections)
Agriculture	<u>-39.3%</u>	14.9%		10%		<u>18.8%</u>
Manufacturing	<u>-33.4%</u>	10.2%		10%		<u>4.5%</u>
Mining	-17.1%	8.5%		40%		31%
Tourism	2.8%	6.5%		10%		3.5%
Electricity, Gas and Water	-36.5%	1.9%		3.4%		-1.8%
Construction	-8.5%	2.1%		3.2%		1.5%
Finance and Insurance	<u>-27.9%</u>	4.5%		5.5%		<u>2.0%</u>
Real Estate	-36.4%	2.0%		2.2%		1.5%
Transport and Communication	5.4%	2.2%		4%		3%
Public Administration	0%	2.0%		3%		2.0%

Low Disposable Incomes



Youth in Zimbabwe



Key Information

Population	13,2m
Diaspora	1-1,5m
Percent of Youth (15-29 years)	3.7m (>31% of population)
Population distribution	Urban: 31%
	Rural: 69%
	Youth unemployment: 24,9%

Causes of Youth Unemployment

Skills mismatches
Slow job growth
Lack of access to capital
Inadequate job matching & signalling

AGENDA

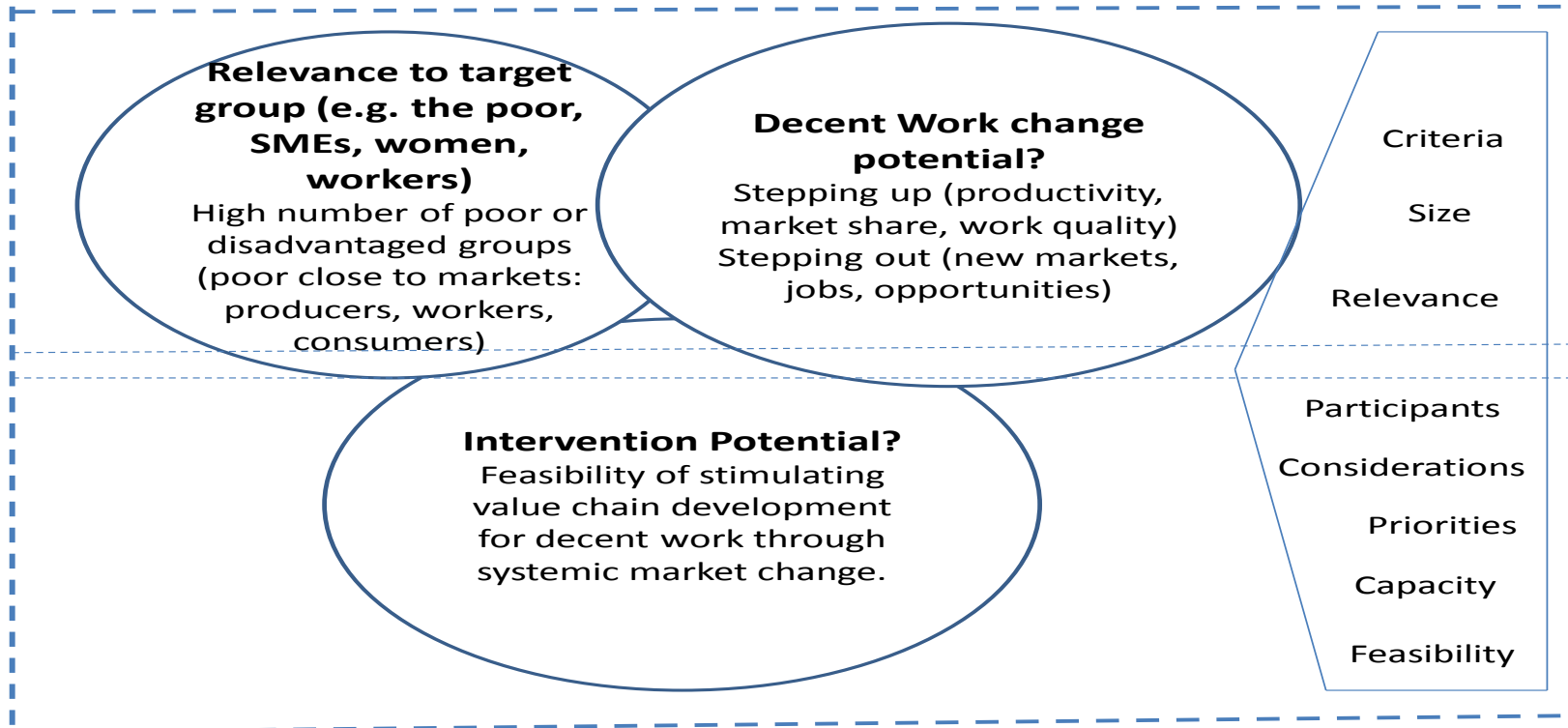


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Value chain analysis



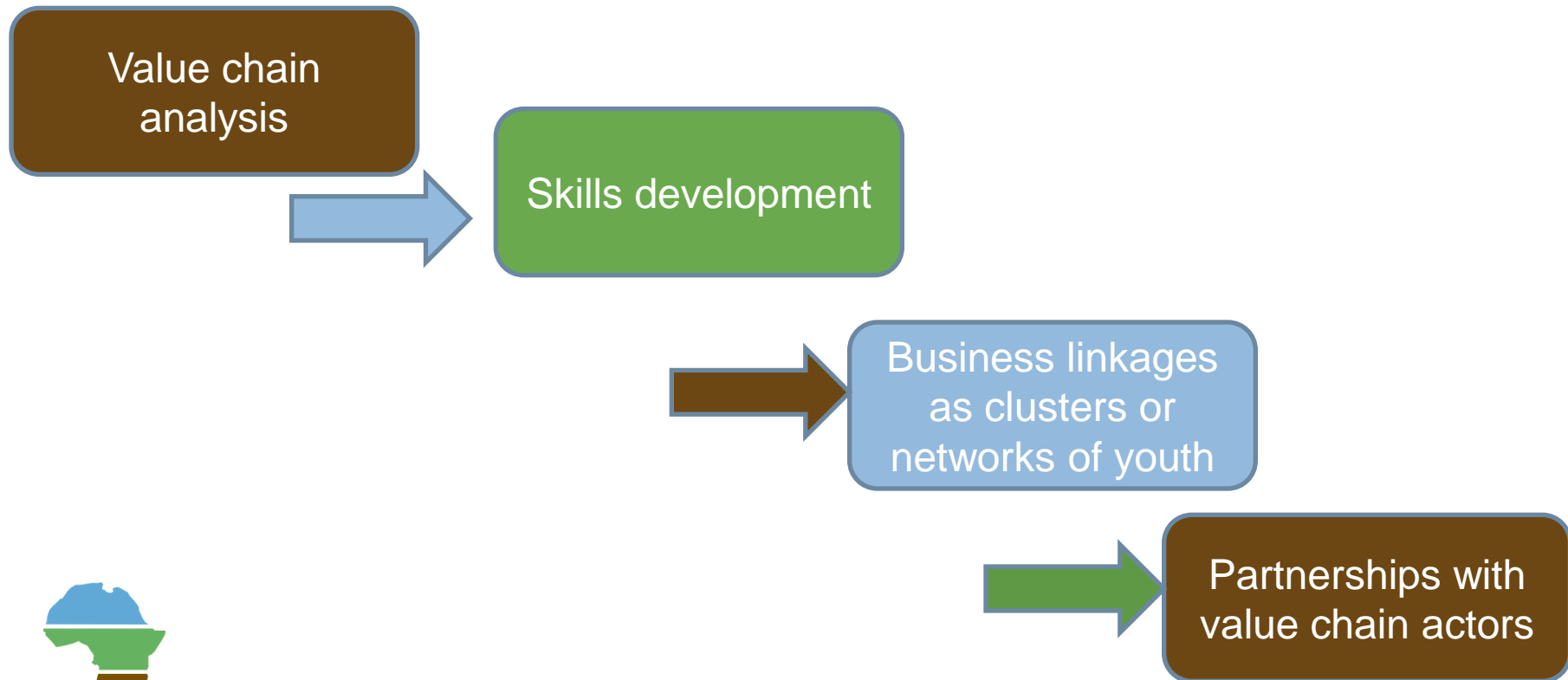
Focus: Industry growth function of *growth of firms* in that sector stemming from capitalisation of *market opportunities* and *investments in technology and skills* development of its staff to enhance domestic and international *competitiveness*.



Value chain analysis logic



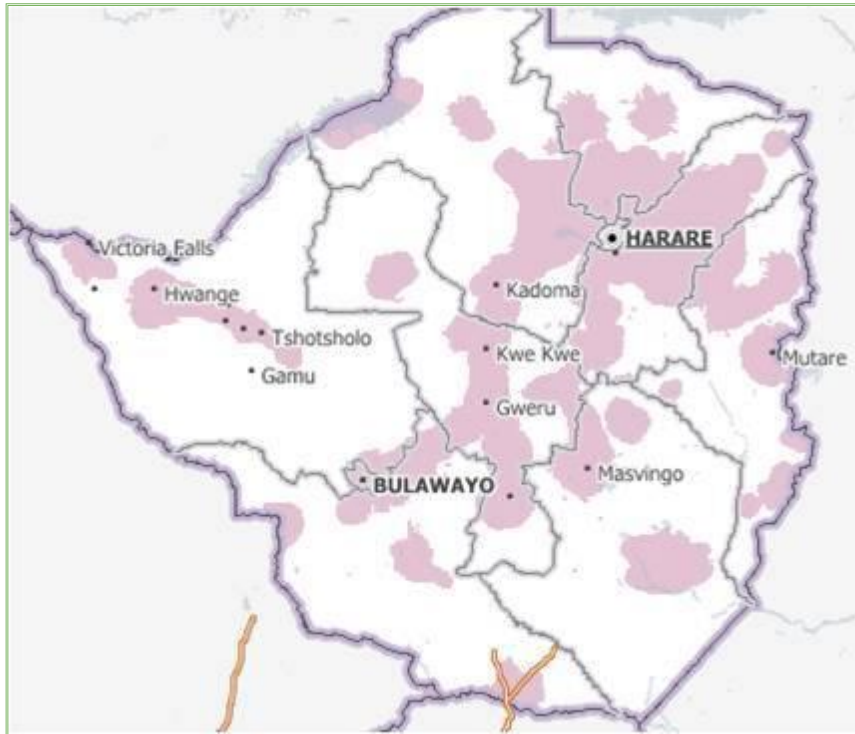
Focus: Youth as *employees of firms*, or *suppliers into value chains* or as *consumers*. (opportunities and capacity)



Value chain selection

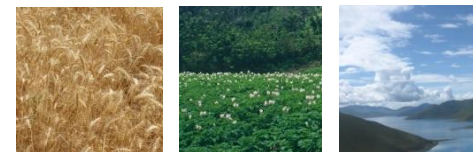


Focus: four criteria: market potential, economic impact (size), ILO priorities, environmental issues.




Summary Information	
Subsectors Reviewed	20
Subsectors recommended	4
Highly recommended	5
Not recommended	11

Value chain selection



Focus: four criteria: market potential, economic impact (size), ILO priorities, environmental issues.

Subsector Typologies

Limited Growth Potential	High growth and export potential (5)	Growth opportunities with constraints (6)	Domestic growth and import substitution (3)	Domestic growth potential (6)
Beef	<u>Cotton</u>	Sugar, banana	<u>Poultry</u>	Groundnuts, <u>Soya</u>
Pork	Tobacco	Paprika, HVE vegetables	<u>Groundnuts</u>	Maize, domestic vegetables
	Gold, chrome, diamonds	Tea, coffee	Milk	Sorghum, <u>Honey</u>

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Zimbabwe Cotton Sub sector Map

Markets

Processing

Ginnery Aggregation

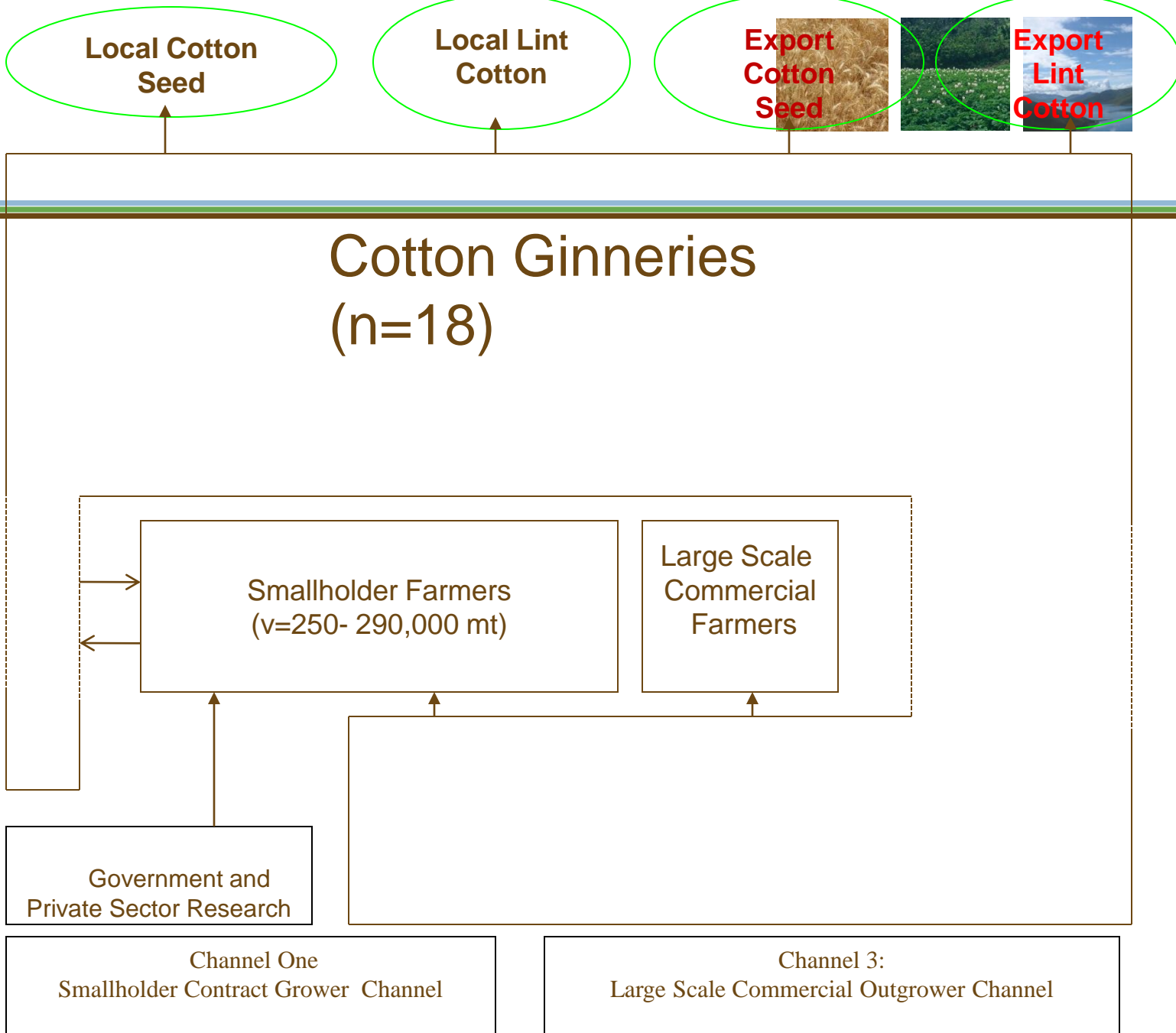
Buying Point Aggregation

Post harvest handling

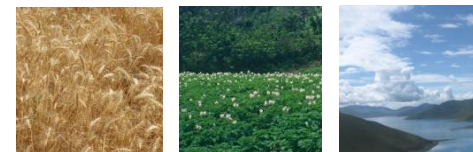
Production

Inputs

Research and Development



Cotton Summary



Subsector Drivers

cotton input credit scheme (contract farming) models

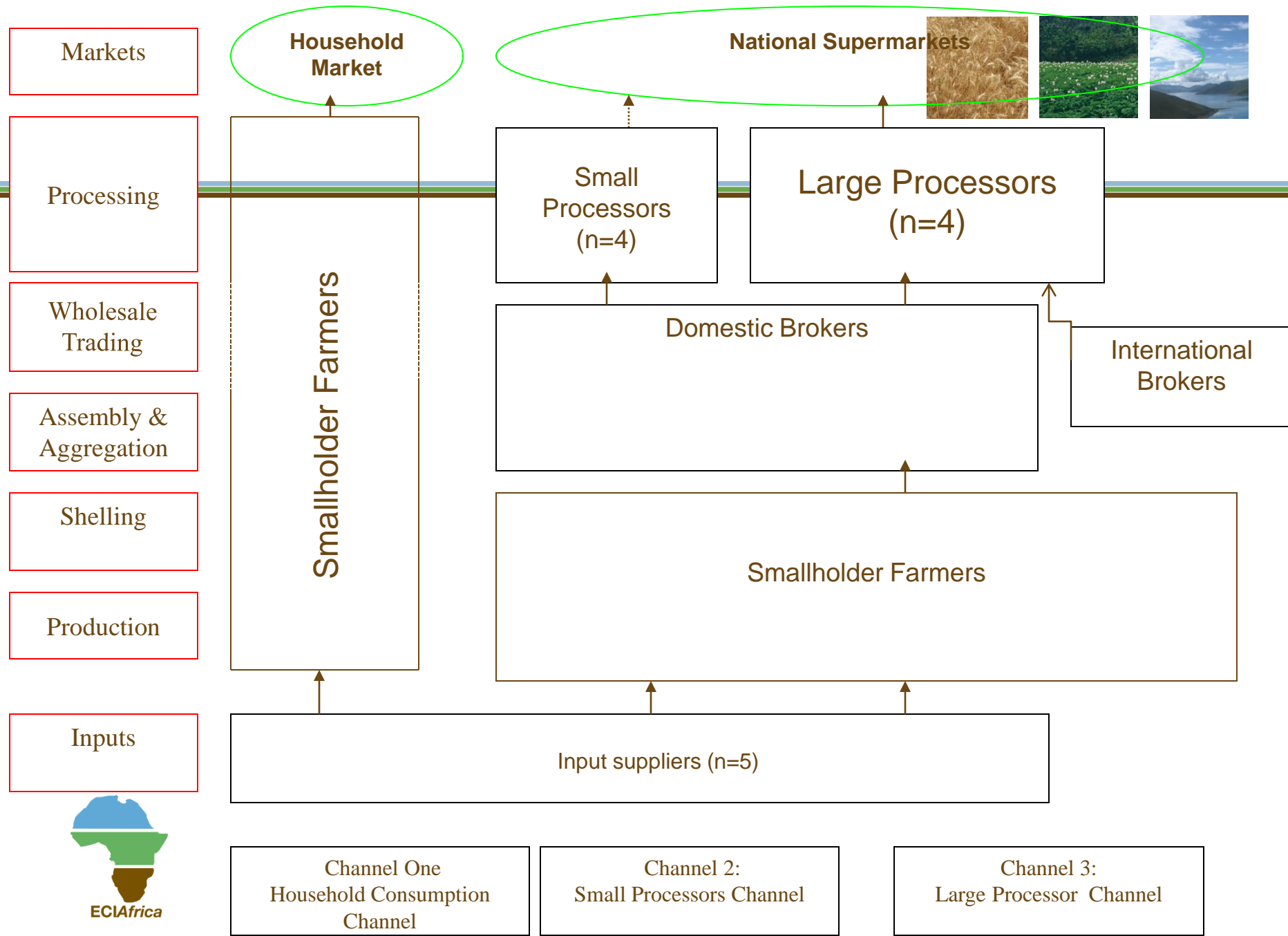
Hi export demand, competitive buyers & good producer prices

Yield levels and profitability of farmers

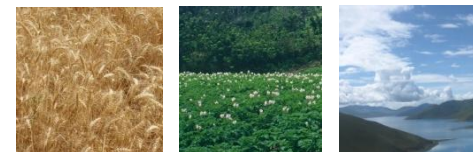
Key Interventions in subsector

- Work with cotton companies to facilitate recruitment of youth into cotton production
- Facilitate provision of training in production skills, grading and business management aspects
- Training youth in local processing of cotton seed for oil extraction and cotton seed cake for local uses in other enterprises
- Work in partnership with value chain players (cotton ginneries, textile firms) to identify youth employment opportunities

Zimbabwe Groundnuts Sub sector Map



Groundnuts Summary



Subsector Drivers

Access to quality seed and extension support

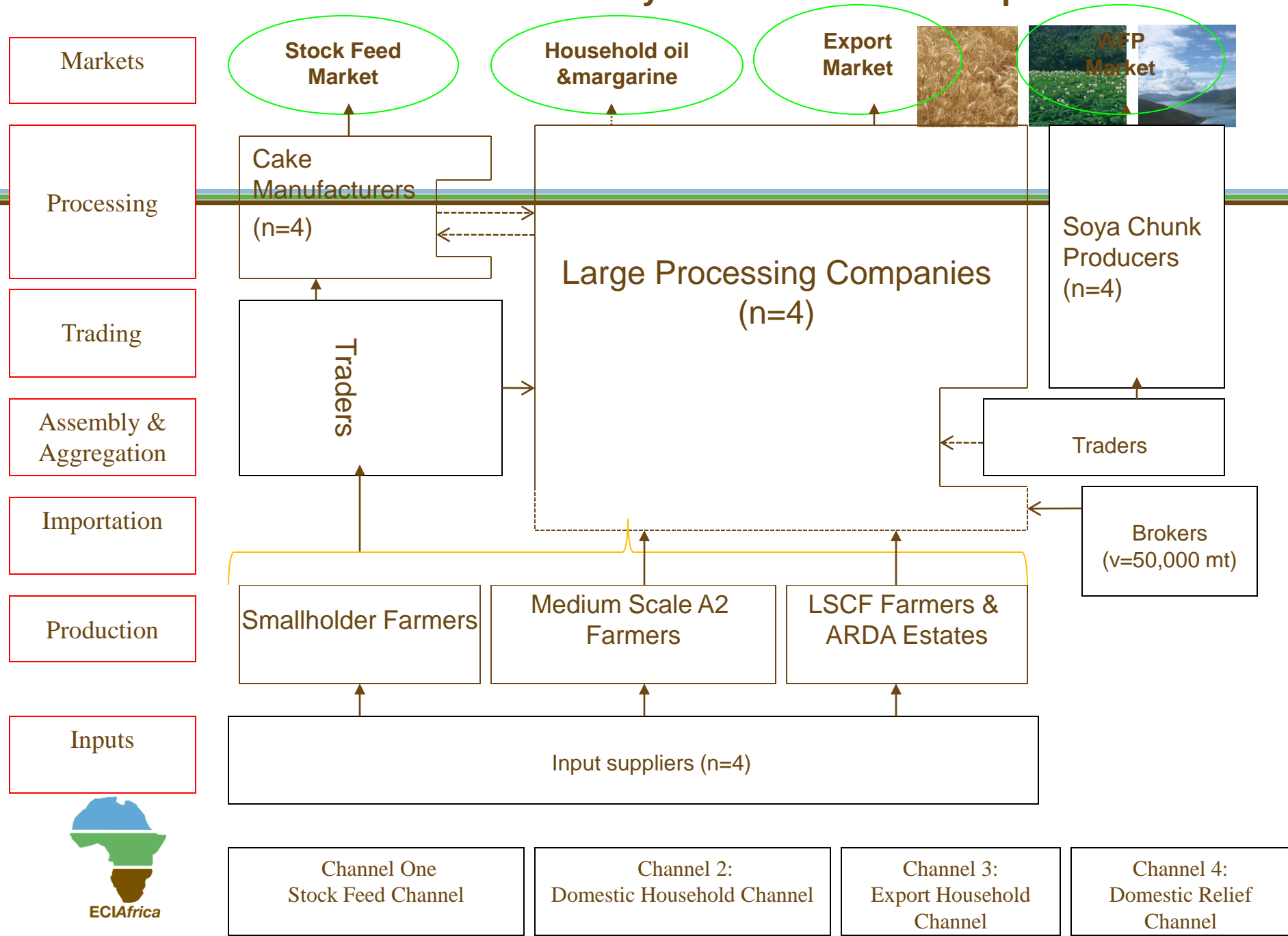
Access to working capital to buy sufficient volumes

Enforcement of import quality control measures

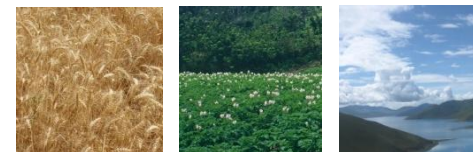
Key Interventions in subsector

- Facilitate formation of youth business groups or incorporation of youth into existing production groups
- Facilitate youth training in production skills to enhance yields
- Explore possibilities of contracting with processing companies to work with youth groups on outgrower arrangements with guarantees for uptake of produce.
- Explore employment opportunities for youth with processing companies
- Facilitate the formation of youth trading business enterprises and their access to finance.

Zimbabwe Soya Bean Sub sector Map



Soya Bean Summary



Subsector Drivers

Access to capital

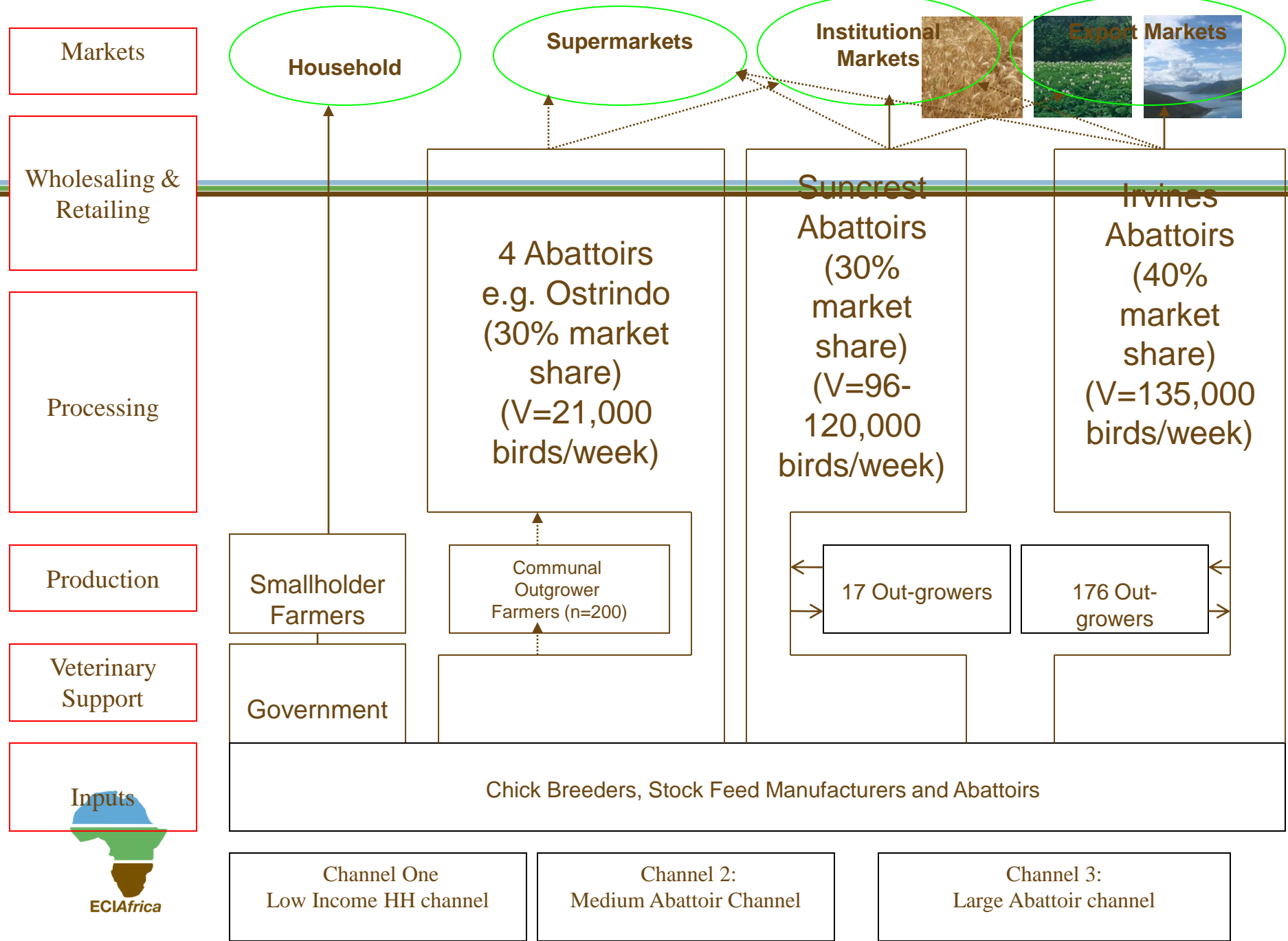
Demand higher than supply

Low productivity & limited SHF organisation

Key Interventions in subsector

- Production- Support youth farmers in high rainfall natural region II and III to produce good yields of soya bean.
- Input supply/output buyers- incentivising establishment of local agrodealers to stock inputs and buy produce.
- Output marketing- partner with processors to enhance youth enterprises access to financial support and enable innovative outgrower linkages with smallholder farmers chain.
- Explore processing plants youth employment opportunities

Zimbabwe Poultry Sub sector Map



Poultry Summary



Subsector Drivers

**Levels of production
(10,000 birds)**

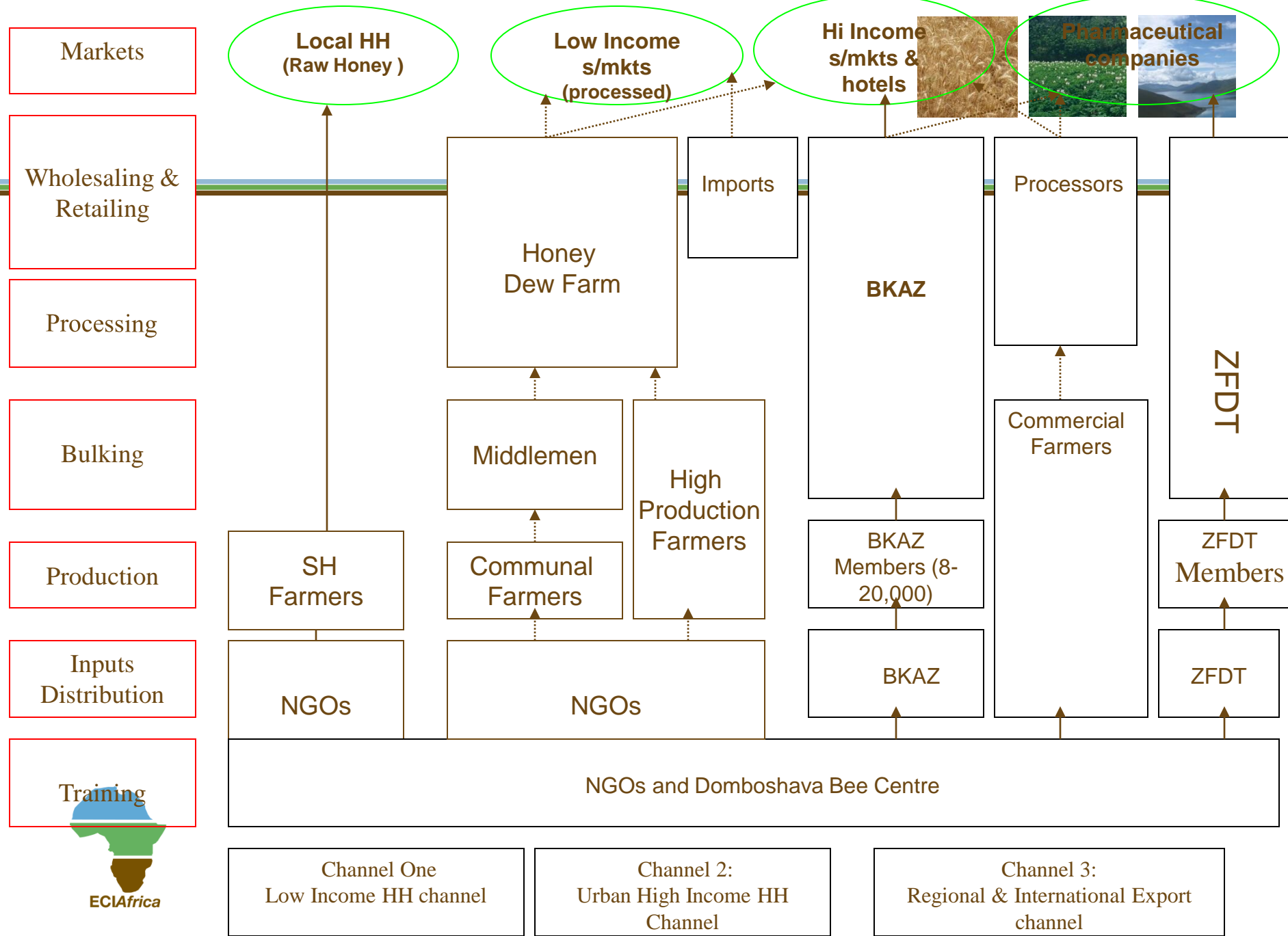
**Levels of market
demand
(hi local & regional)**

**Industrial protection
(import ban)**

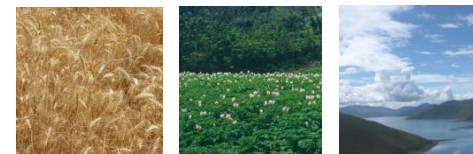
Key Interventions in subsector

- Developing outgrower schemes between abattoirs and youth enterprises
- Facilitate formation of youth enterprises
- Facilitate provision of technical and business training
- Enhance market linkages between youth poultry enterprises and low income households for live birds and eggs.

Zimbabwe Honey Sub sector Map



Honey Summary



Subsector Drivers

Levels of production

Organisation of the production and marketing functions

Demand from supermarkets and pharmaceutical companies

Key Interventions in subsector

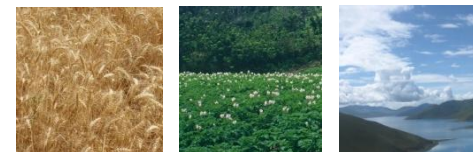
- Identify youth with technical skills such as woodwork and sheet metal fabrication & help them establish beehive producing and maintenance enterprises
- Partner with value chain players and facilitate formation of youth beekeeping enterprises and technical and business training
- Facilitate youth owned market intermediary enterprises to link beekeepers and processors

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Overall Recommendation



- To maximise partnership opportunities with the private sector and NGOs,
- Competitive process to designing and implementing programme activities.
- ILO design the concept, specify desired results
- Invite private firms to submit project designs in partnership with NGOs and government departments.
- Condition of contract awards =co-contribution on matching basis.

Benefits of Approach



- Projects embedded in private sector value chains in win-win manner
 - Empower private sector to drive competitiveness of value chains and youth economic development
- Matched funding allows ILO to cover more sectors than two and widely spread its resource investment
 - Leverage private and public capital and skills
 - Inject liquidity into value chains

Challenge Fund Features



A temporary market development catalyst... stimulate pro-poor innovation by private firms... improve market access for those historically excluded from enterprise opportunities

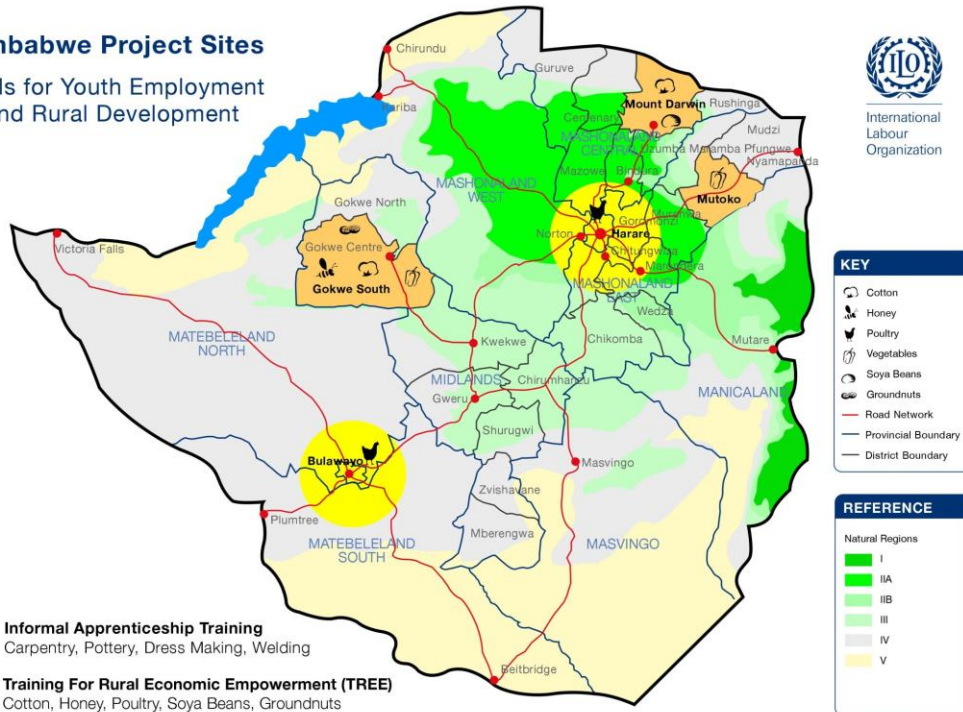
Key design characteristics	Requirements	Development impact
• A financial contribution	• One-off limited duration grant	• Limits scope for donor dependency & distortion
• Awarded through an open competitive process	• By open invitation, widely marketed; awarded by independent panel	• Demand driven ⇒ competition, focus, entrepreneurship, innovation
• To a private firm	• Private firm (or a consortium led by it)	• Leverages existing activities, not new projects or organisations
• Against a matching contribution	• Minimum of 1:1 co-financing	• Leverages private funding and risk ⇒ ownership
• To be implemented by the firm	• Recipients must have capacity to implement/ source TA independently	• Capacity to implement & driven by the logic of the transaction
• For long-term commercial gain <i>with a defined social impact</i>	• Project must deliver both social and commercial returns, clearly defined	• Development impact likely to be sustainable if it is profitable

Project Locations



Zimbabwe Project Sites

Skills for Youth Employment and Rural Development



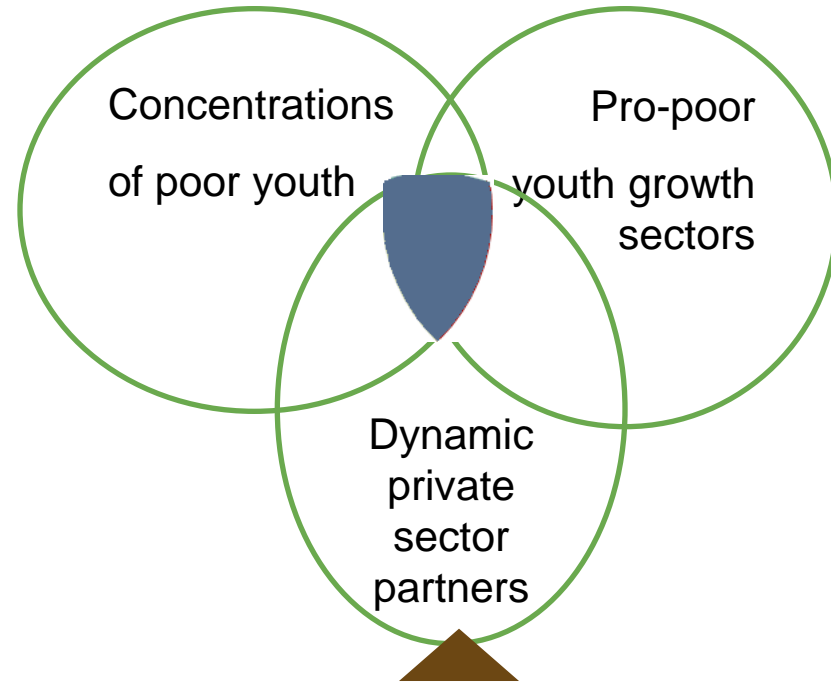
KEY

- Cotton
- Honey
- Poultry
- Vegetables
- Soya Beans
- Groundnuts
- Road Network
- Provincial Boundary
- District Boundary

REFERENCE

Natural Regions

- I
- IIA
- IIB
- III
- IV
- V



Identify a critical mass of private firms & youth

- Commitment to outgrowers schemes development
- Commitment to resource sharing
- Willingness to innovate?



Is a CF Relevant to Zimbabwe?



- Difficult & uncertain investment climate
 - poor or ‘thin’ markets = greater costs & business risks
- Lack of competitive pressure
 - Firms typically content to serve established, low risk market segments , experience little market pressure to seek new market
- Poor information - information on the youth, whether as commercial partners or consumers, is weak.
 - creates uncertainty and risk

Is a CF Relevant to Zimbabwe?



- Innovation failures –
 - inertia within larger firms,
 - Inertia in smaller companies which lack the market linkages, expertise and finance to innovate and expand.
 - *historical reliance on and dominance of the large scale commercial farmers of large firms in Zimbabwe,
- New terrain challenges confronting small youth owned enterprises and emerging enterprises in rural smallholder economic activities).

CF Operations



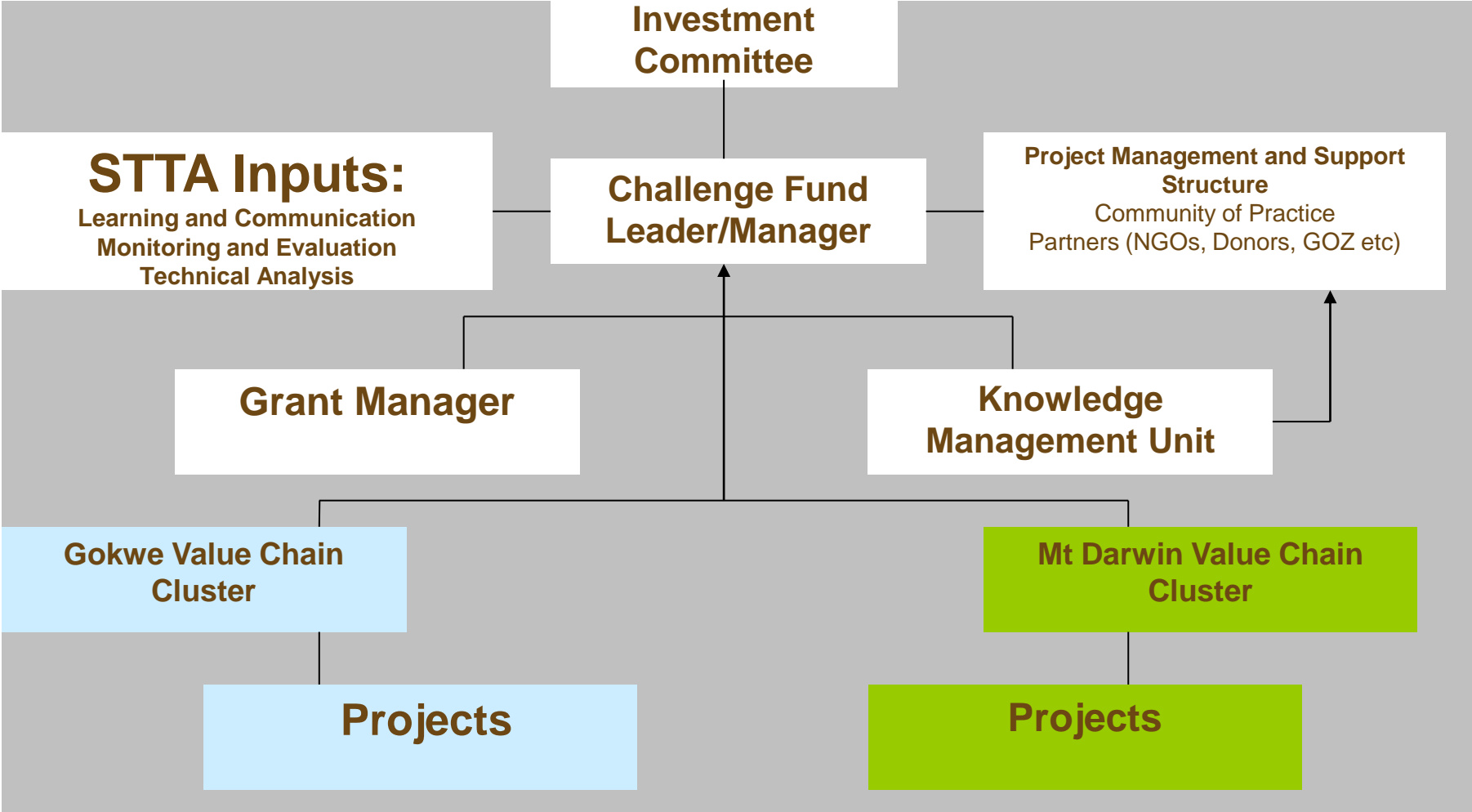
- **Capital Expenditure activities:**
 - **CF Investment-** Appraising business development plans and approving grants
 - **CF Fund Capitalisation-** securing contributions to the CF for leverage.
- **Operating Expenditure activities-**
 - **CF Operations-** SOPs & Grant criteria and procedures
 - **Communications, Knowledge Sharing and Stakeholder Management**
 - **CF Promotion and marketing-** Publicising the facility and generating a pipeline of projects and a cadre of certified service providers.

CF Operations cont'd



- **Operating Expenditure activities-**
 - **Creating Linkages** –fostering and brokering business linkages between different firms
 - **Portfolio Management** – Providing after care services to CF clients to ensure success and capture results
- **Monitoring and Evaluation-** Reporting on impact and identifying areas for improvement and generating lessons for dissemination.

How is it structured?



Budget Breakdown



- **CAPEX-** 75% of budget
 - Projects as generated by firms
- **OPEX-** 25% of budget
 - 75% operating costs
 - 25% monitoring and evaluation

Thank You



DISCUSSIONS



END OF MEETING

