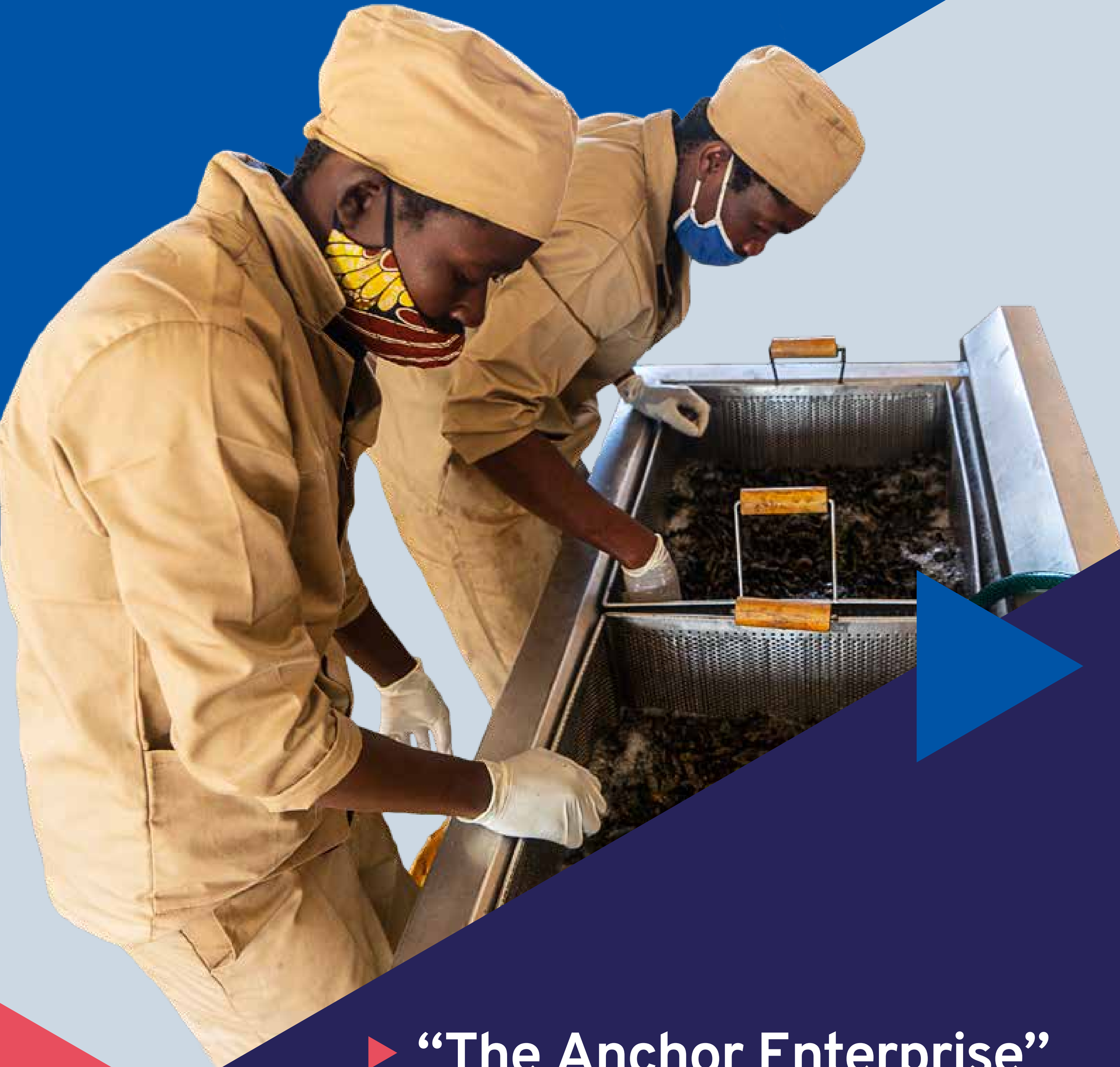
International Labour Organization



# "The Anchor Enterprise"

## An intervention model for achieving more inclusive value chains

**A case from Zimbabwe**

Naomy Kanyemba Lintini
Jens Dyring Christensen
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# Preface

Value chains are an integral part of today's modern economies. Their performance shape how products are designed, developed, sold and disposed of and they determine who benefits from economic value-creation. Zimbabwe has prioritized value chain development in its various national frameworks, highlighting its importance in generating employment, increasing incomes and promoting entrepreneurship, and fostering value addition and intra-industry trade. Particular focus is on value chains with potential for more inclusive growth that yields greater economic benefits for youth and women, who constitute over half of the country's population and yet are the worst affected by high levels of poverty and are disproportionately disadvantaged in access and ownership of productive assets.

For example, women and youth involved in horticulture production face high post-harvest losses and low prices, which result from temporary and localized oversupply, absence of processing facilities, which would add value to products for a higher market price and the short shelf life of the products. The situation is similar for women and youth in the artisanal gold milling value chain, where the absence of gold ore milling and processing facilities causes them to lose out to large-scale miners, who process their ore under unfavorable terms.

Women and youth vulnerability has been further exacerbated by the impact of the COVID-19 pandemic, with many losing livelihoods due to the prolonged national lockdown measures and the slowdown of economic activities.

The International Labour Organization's (ILO) Decent Work agenda is central to value chain development, as it advocates for stronger and more inclusive value chains that promote, not only economic but also importantly social and environmental sustainability. With this Decent Work agenda in mind, the ILO, with the financial assistance of the African Development Bank (AfDB) and in partnership with the Government of Zimbabwe pioneered the Anchor Enterprise Model under the Youth and Women Empowerment Project (YWEP). The Project sought to simultaneously promote pro-poor local economic development and catalyse district-level value addition.

Within this context, the Anchor Enterprise manual presents the Zimbabwe case on an intervention model for achieving more inclusive value chains. This manual was developed to provide systematic guidance for the Anchor Enterprise replication process and to provide a practical example and document the experiences derived from pilot roll-out of this model in Zimbabwe. The ILO is grateful to the AfDB for providing the financial support that made this process possible and to the Government of Zimbabwe, who through the Ministry of Finance and Economic Development, Ministry of Youth, Sports, Arts and Recreation and Ministry of Women Affairs, Community, Small and Medium Enterprise Development facilitated the implementation of the Project.

It is the ILO's wish that the manual should benefit not only Zimbabwe but also all other countries wishing to implement more inclusive value chain development interventions.

**Hopolang Phororo**
Director
ILO Country Office for Zimbabwe and Namibia

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# 1. Introduction

The International Labour Organization (ILO) advocates for the importance of creating decent work in the rural economy where almost 80 per cent of the world's population are working under high levels of informality and with decent work deficits. Development challenges in rural areas require an integrated approach with targeted action in sub-sectors and value chains, which are the key sources of income for most of the rural poor. A strategy increasingly applied by the ILO over the past decade better to understand and identify models where markets work better for the poor and create decent work, is the market systems development (MSD) approach. This approach goes beyond traditional value chain development by taking a systemic intervention approach; recognizing that value chains are part of wider market systems with varying power relations, rules and regulations, as well as supporting functions, which collectively contribute to the performance of the overall market system.

In Zimbabwe, as in many rural areas across Africa, rural producers are affected by high post-harvest losses, as well as low produce prices resulting from temporary local oversupply, especially during the peak season of certain agricultural produce. Rural Zimbabwe has generally had inadequate market infrastructure such as proper storage, aggregation and processing facilities to support beneficiation and value addition to local produce. Post-harvest loss in horticultural production for example, occurs in terms of quantity, quality, nutritional value and aesthetic appeal. This affects the market value of the produce, resulting in low-income levels for local producers. The absence of organized marketing channels and information systems also results in exploitative behaviour by middlemen and buyers, who take advantage of these market inefficiencies to engage in temporary arbitrage that is not beneficial to local producers. These challenges particularly affect women producers and young people since they often have limited access to information about the market requirements.

A rapid market assessment, conducted by the ILO in 2016, identified that lack of effective producer-level aggregation and primary processing facilities, coupled with the fragmented nature of market information on the quantity and quality of available throughput, makes it difficult for buyers and processors to plan for continuous sourcing from the producers. This in turn limits the engagement opportunities for local producers whose livelihoods depend on economic activities in the various value chains, since the producers can only indirectly participate in formal markets for their produce through intermediaries. The result is that rural producers do not produce to demand, and do not generate sufficient incomes to invest in scaling up their economic activities, which in turn drives up fragility levels[1], ultimately resulting in high levels of poverty among women and youth in the country.

It is against this background that the Government of Zimbabwe, the AfDB and the ILO conceived a project to address this development challenge with the view to empower rural producers to become stronger and active players in the commodity and processed products markets. The development challenge included the need for investment in physical value addition and market infrastructure to help arrest post-harvest loss, as well as the need to strengthen access and market information systems. The project design also prioritized enterprise and agribusiness development initiatives to improve the overall performance of identified value chains.

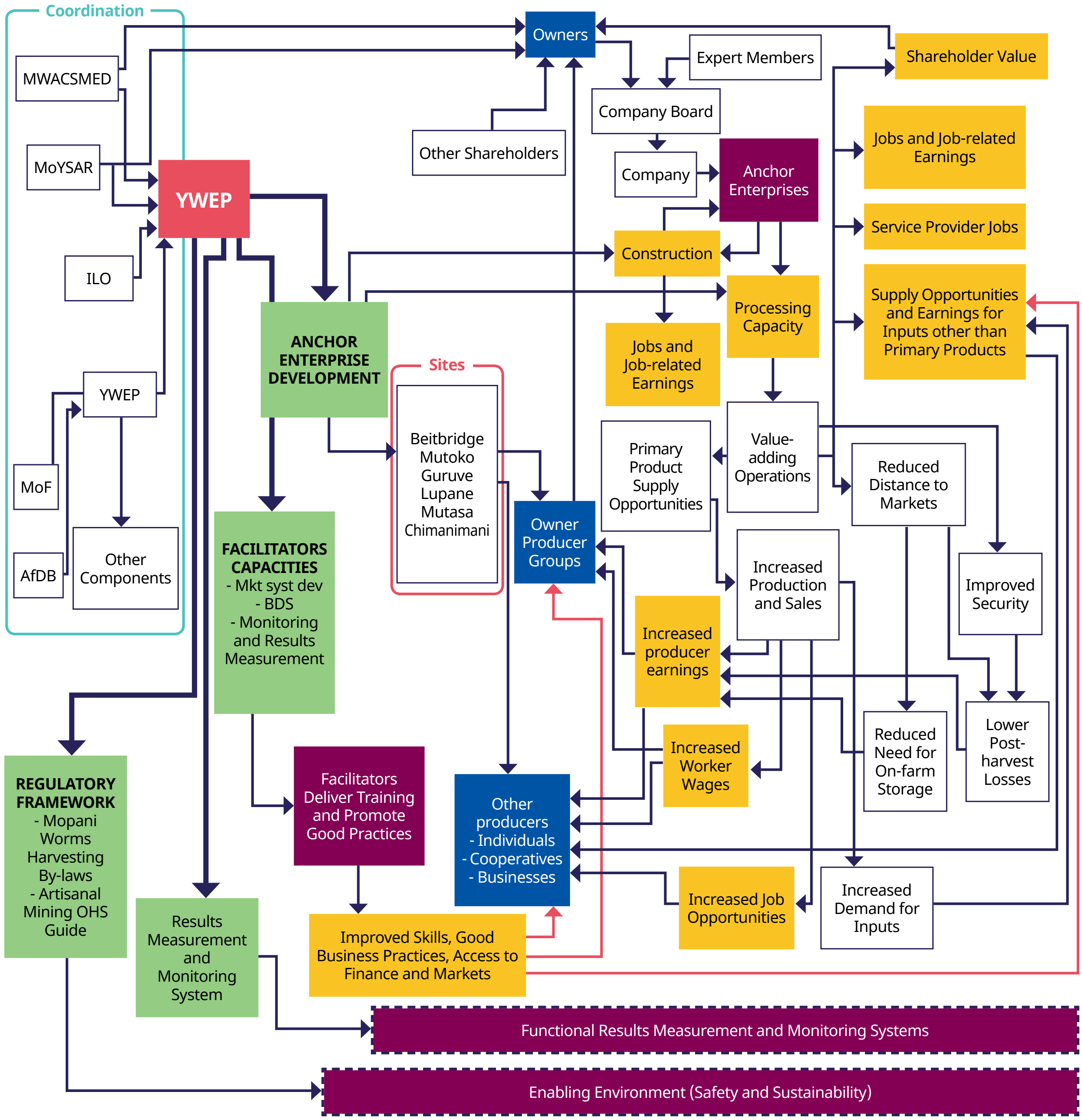
Based on these development needs, a rural economic empowerment model that uses anchor enterprises co-owned by local producers was conceptualized. The model targets the improvement of rural livelihoods through shared prosperity by strengthening the capacity of the producers and other market actors to effectively participate in the governance of the value chains in which they operate.  This model aims to increase access by rural youth and women to employment, economic opportunities, and enterprise development support along agriculture and non-agriculture value

[1] An assessment (AfDB 2014) indicates that fragility is driven in part by regional development imbalances and weak institutions.

chains. The model also seeks to ensure access to wider markets for rural producers.

With this publication, we intend to explain how the model works and to share good practice and some of the lessons learned throughout the implementation of the project and the operationalization of these producer-owned anchor enterprises.

## The schematic representation of the Youth and Women Empowerment Project (YWEP) implementation framework

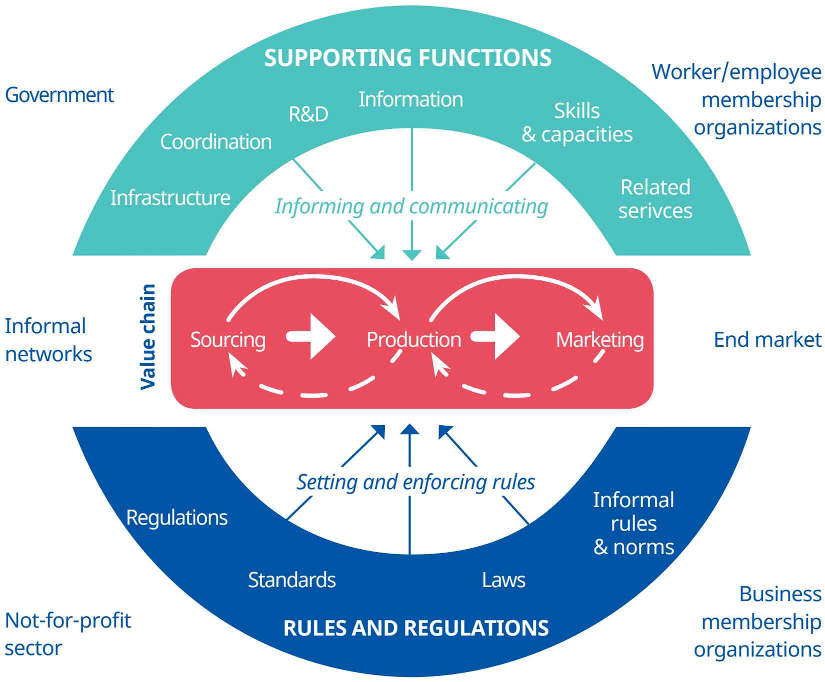


# 2. The producer owned anchor enterprise

The producer-owned anchor enterprise economic empowerment model is designed to increase the inclusiveness and efficiency of value chains by strengthening market linkages between local producers and commodity buyers, and through the ownership of the anchor enterprises, strengthen the capacity of the producers to effectively participate in the governance[2] of the anchor enterprises and the related value chains.

The ILO MSD[3] approach outlined in the diagram below formed the conceptual basis for this Anchor Enterprise model and ensured that the project investments were focused on creating an environment that would drive inclusive growth, local ownership, sustainability and scale.

## The Market System Concept




This illustration is of a market system. The overall business environment in specific market systems consists of supporting functions (e.g. information, training, finance, inputs) and rules and regulations. Each of these shapes the functioning of the core value chain. This diagnostic process is vital to understanding the often-complex market systems and to arrive at the real underlying constraints (in inter-connected markets) that can be intervened in to maximize scalable and sustainable change in the core value chain. This diagrammatic approach is helpful for analysing and understanding the specific market systems and their underlying constraints (i.e. doing **Value Chain Analysis**) and to plan for and implement the actions needed to improve them (i.e. **Value Chain Development**). While **supply chains** are usually analysed and developed from the perspective of a main buyer (usually a large multinational) and often focus on the logistics of organizing a supply system, the term **value chain** is more often used with a developmental connotation addressing productivity, growth and job creation in the market system.

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2 Value chain governance refers to the relationships among the buyers, sellers, service providers and regulatory institutions that operate within or influence the range of activities required to bring a product or service from inception to its end use. It is about power and the ability to exert control along the chain. www.marketlinks.org/good-practice-center/value-chain-wiki/value-chain-governance

3 For more information visit The Lab – Market Systems Development for Decent Work website of the ILO at www.ilo.org/empent/Projects/the-lab/lang--en/index.htm

Under this **anchor enterprise** model, the development Project supports the establishment of district-level "aggregation and primary processing enterprises". The word 'Anchor' signifies the central role that this enterprise plays in motivating production and integrating local producers into value chains. The Anchor Enterprise does this in three ways. First, by making local producers (artisanal miners in case of gold milling anchor enterprise) co-owners of the Anchor Enterprise, responsible for primary processing of local produce into value-added goods. Second, by ensuring that local producers are the suppliers of raw materials or feedstock to the Anchor Enterprise. Third, by providing and linking producers to the market. In so doing, the Anchor Enterprise model creates employment and income-earning opportunities for local community members who could be engaged, as suppliers, employees or as providers of various support services along the value chain. This process creates multiple economic empowerment pathways for the local communities.

*Tomato Paste Processing Equipment at the Mutoko Fruits and Vegetable Anchor Enterprise*

The anchor enterprises, established as local market hubs within a specific geographical production location, became instruments for addressing post-harvest loss, over-supply in a local area and for addressing the general market information asymmetry within the market system. Anchor enterprises are further established to catalyze social-economic development by:

- Spurring production upstream of the value chain by aggregating supplies from many small-scale producers;
- Integrating vertically and horizontally within given market systems to position itself as a valuable market actor;
- Improving the efficiency of the value chain and reducing arbitrage by providing real-time market information to producers;
- Undertaking primary processing of local produce to add value and improve quality, giving the producers and the whole value chain a competitive advantage in the market;
- Creating employment and income-earning opportunities along the value chain;
- Introducing appropriate technology for processing local produce; and
- Enhancing the asset base of local communities to attract more investment.

The anchor enterprise model works best when working with producer groups clustered in relatively close proximity to each other to allow for a constant supply of feedstock to the anchor enterprise. This creates a hive of activities and in turn makes the anchor enterprise into a business and market hub in a continuous process of buying and aggregating, processing/value addition and onward selling to end markets. In addition to the core business, the anchor enterprise buys various goods and services from the surrounding communities. An anchor enterprise should ideally be linked to a local vocational training centre (VTC), so that it informs local training needs and supports the creation of a pool of skilled workers from within the host community.

Through its forward links in the market systems, the anchor enterprise facilitates access to wider and more

## YWEP and Tabudirira VTC facilitate work-based skills upgrading for young people in Mutoko

Students studying bricklaying, carpentry and joinery at Tabudirira VTC in Mutoko, Zimbabwe had an opportunity to upgrade their construction skills when they took part in the assembling and installation of a prefabricated pack house. The pack house is part of the infrastructure for the fruit and vegetable processing Anchor Enterprise established in Zimbabwe's Mutoko District, under the YWEP Project, a collaborative development initiative by the ILO and Government of Zimbabwe, with funding from the AfDB.

*Construction of the Tomato Paste Processing Factory by Youth in Mutoko*

The YWEP Project and Tabudirira VTC collaborated with Dicla Training and Farming CC, a South African-based company to structure an initiative for the students to acquire new skills relevant in the labour market..The initiative used a work-based learning approach to transfer the construction -related skills, which are not part of the regular curriculum at the VTC. The seven students who received the training in assembling and mounting of prefabricated building components from the DICLA Training and Farming CC construction expert expressed their delight at the opportunity to acquire additional competencies in the use of modern construction tools. The VTC Principal, Mr, Mudzamiri, reiterated the relevancy of such an approach to improving the labour market relevancy of training.

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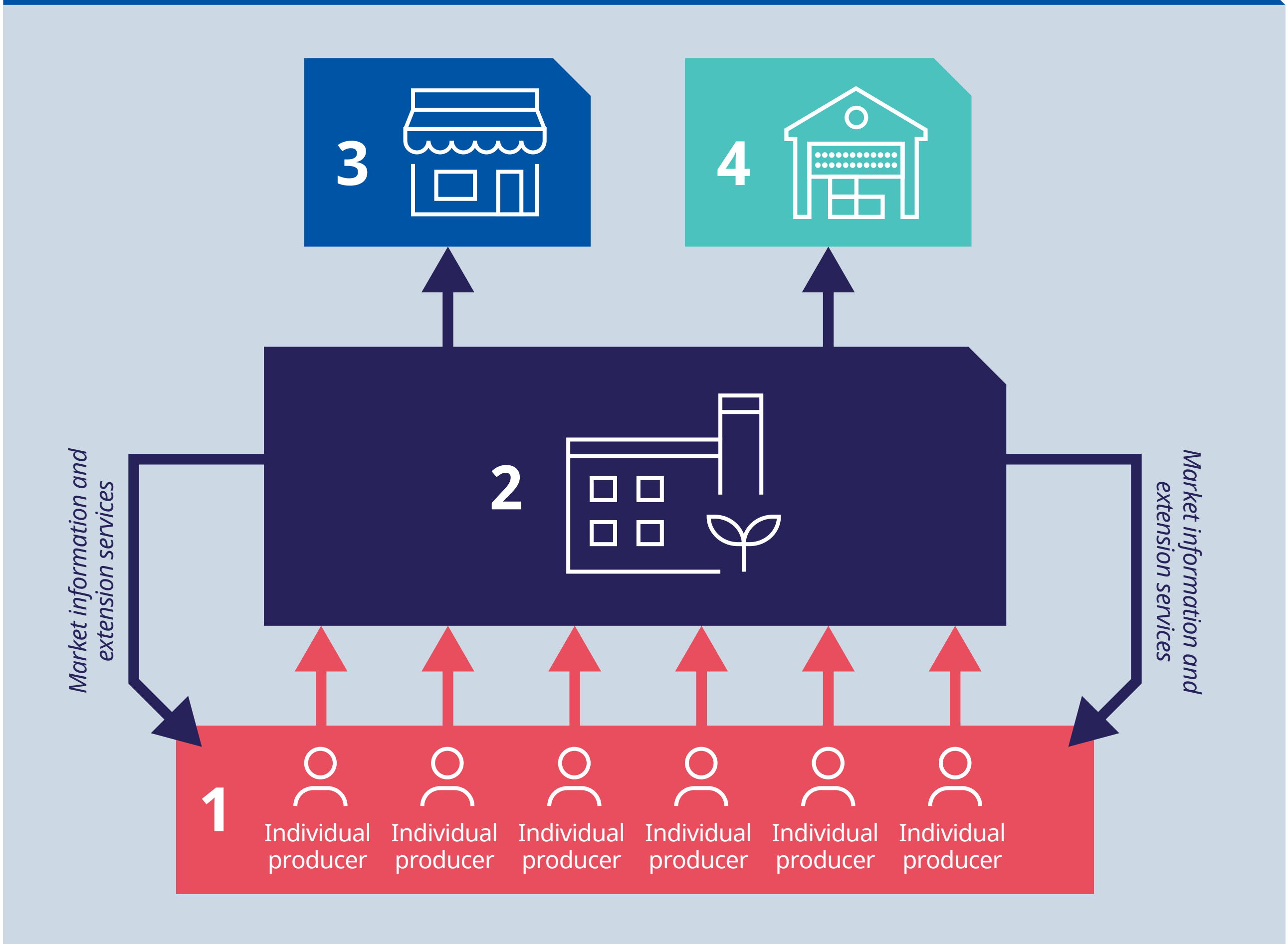
lucrative markets for the surrounding producers while, through its backward links, the enterprise provides employment opportunities, embedded extension services, including training, market information, and introduction to new production methods and technologies, unlocks employment and income-earning opportunities for local communities.

In this context, the VTC can also facilitate the acquisition and diffusion of new knowledge skills and competencies necessary for the adoption of appropriate production and processing technologies among local producers.

*Youth demonstrating the packaging of horticulture produce in Mutoko*

The model is illustrated below.

**Figure 1: The Anchor Enterprise – an Aggregation Centre and Business Hub**




1 Local producer cluster

2 The anchor enterprise (aggregation and primary processing)

3 Local markets

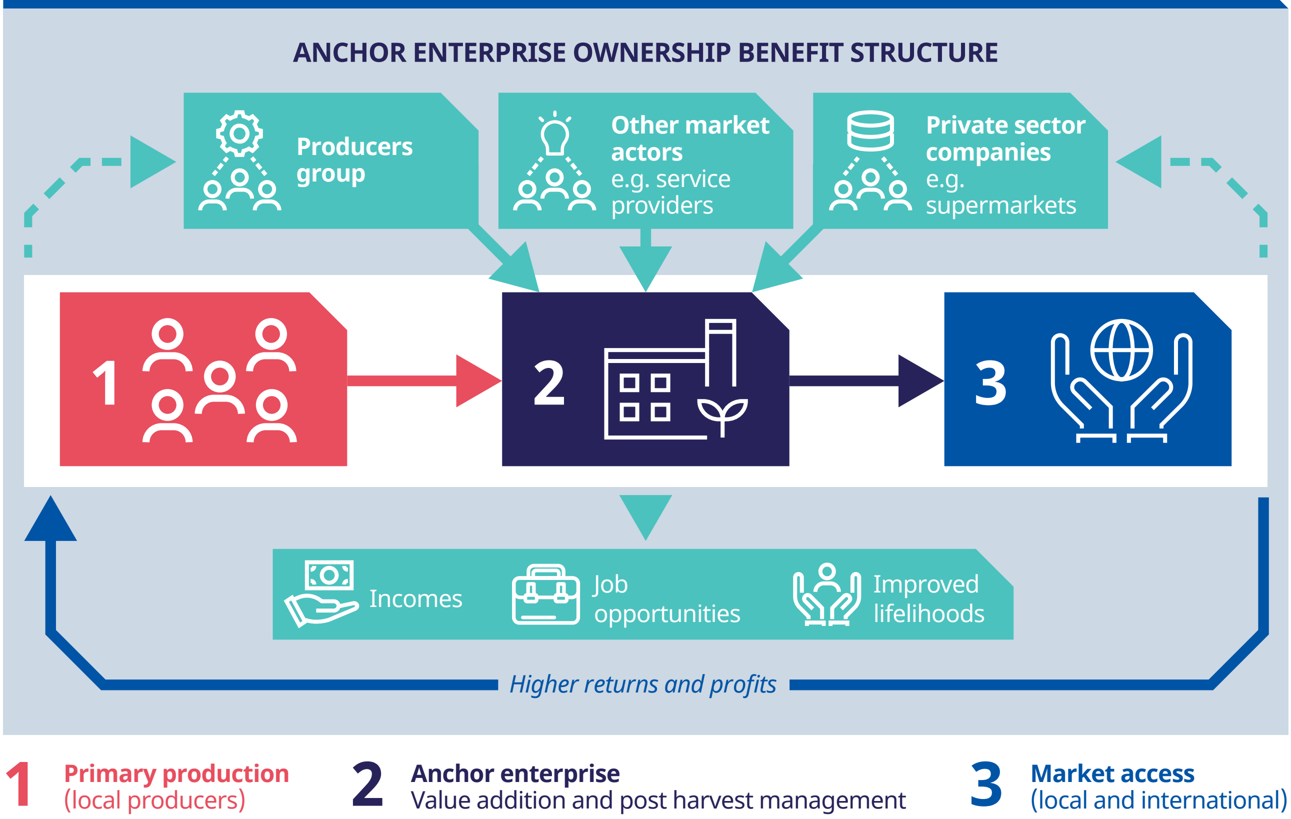
4 Export markets

## ▸ 3. Ownership structure of an anchor enterprise

Under the YWEP, the ILO supported the process of establishing anchor enterprises as producer-owned private limited (Pvt. Ltd) companies, co-owned with strategic market players, such as private firms, development finance institutions and other agencies that are active players in a specific value chain. To ensure that small producers benefit from bringing their products to market, the ILO explored different ways of increasing ownership of value-added productive assets in order to strengthen the producers' negotiation power with aggregators and buyers of their produce. With such a step-up in the value chain, small-scale producers can negotiate higher prices for their produce, which ultimately benefit and improve their overall socio-economic situation. In this regard, the anchor enterprise becomes a means for small producers to improve their market position in the value chains in which they operate.

As an aggregation hub for local produce, the anchor enterprise can be actively involved in setting, monitoring and facilitating compliance with market rules among the surrounding producers who are at the same time co-owners of the hub. In this way, the anchor enterprise coordinates the activities of local producers to ensure a steady supply of raw materials, and to ensure that related small and micro enterprises have business opportunities in the supply chain. Such small businesses include, for instance, transporters of raw produce or finished products to market, maintenance and repair of manufacturing and processing equipment, agricultural inputs and supplies to local producers in order to improve the overall performance of the value chain. All this ensure that the benefits of having an anchor enterprise accrue to members of the local community. An example of a possible joint ownership structure is illustrated below.

**Figure 2: Example of Ownership Model**

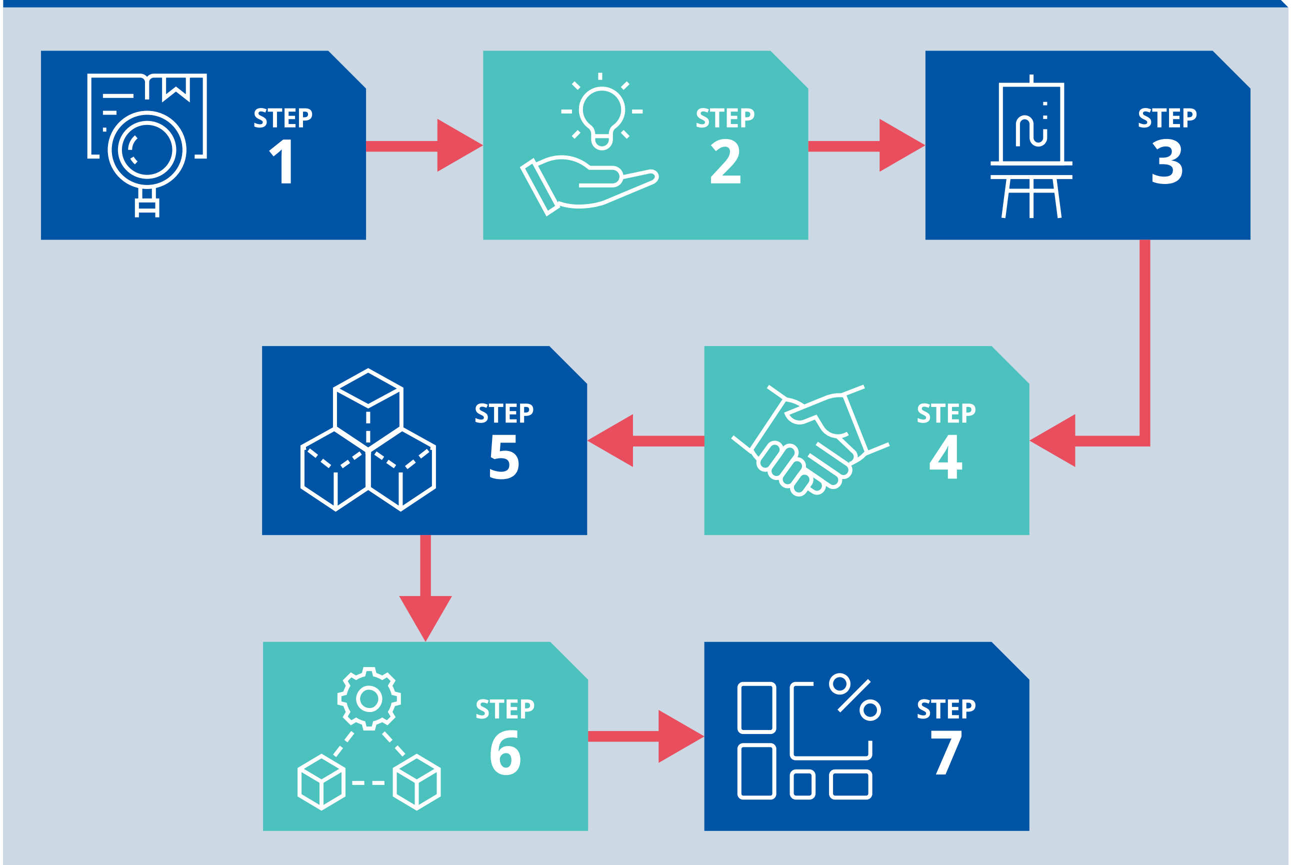


# 4. How the model works

The producer-owned anchor enterprise intervention model aims at addressing the various business and market challenges affecting small producers and small and medium-sized enterprises (SMEs) in rural areas. The model offers a structured, systematic and replicable approach for designing and implementing stakeholder-owned economic empowerment solutions. Below we illustrate step-by-step how to establish such a producer-owned and market responsive development solution that simultaneously enhances the capacity of rural producers, particularly women and young people, to effectively participate in shaping the channels for their own economic empowerment.

The model uses an integrated intervention framework that recognizes involvement, engagement and participation of stakeholders as prerequisites for co-creating stakeholder-owned development solutions. The framework has seven distinctive steps, which are articulated in more detail below.

**Figure 3: Intervention Steps**




**STEP 1** Rapid market assessment of targeted value chains

**STEP 2** Co-creating inclusive and sustainable solutions

**STEP 3** Design business intervention model

**STEP 4** Establish synergies and partnerships for greater impact

**STEP 5** Operationalize the business model

**STEP 6** Build capacity of stakeholders to engage in value chains

**STEP 7** Develop a results measurement system

## Step 1: Market System Analysis

A Market System Analysis (MSA) is undertaken in order to get evidence-based insights into the value chain and the key actors and market players and how these players interact with the wider market system. In many ILO interventions, an MSA also seeks to provide information on the extent to which a given market system is inclusive of local and rural producers, particularly economically marginalized women and young people. Further, an MSA may also try to identify any possible signs of under-performance that affect the producers' capacity to benefit equitably from value chain economic transactions. Finally, an MSA helps to unveil some of the power relations between players, as well as the rules and regulations that governs economic activity in each value chain. This forms the basis for the development of subsequent interventions. The assessment involves the following key elements:

- Mapping the market system to identify key stakeholders and to define system boundaries.
- Identifying a core value chain in which a market system is anchored.
- Developing a qualitative and quantitative description of the market structure.
- Evaluating the market system potential for sustainable business operations, employment creation and integration of local producers and SMEs.
- Identifying core challenges hindering performance and inclusive engagement of all market actors.
- Identifying entry points for women and youth participation.

An important output of this step is an overall snapshot of how the specific market works and how the products move from production through various steps in the value chain to reach the ultimate customers. It provides a map for better navigating the market with defined system boundaries, market actors and stakeholders. The MSA also identifies the major challenges affecting the performance of the value chain, the opportunities and possible entry points for development interventions and integration of women and youth.

*Women participating in Business Skills and Financial Literacy Training*

## Step 2: Co-creating a business oriented intervention model

Following from the MSA, which forms a better understanding of how the market works, the next step is a process of co-creating solutions to the identified market challenges. This step brings together a diversity of ideas and views from the participating producers, subject matter experts, local authorities and if needed national ministries, among others. Through a guided participatory process, stakeholders tap into their collective insights to identify and generate mutually beneficial and sustainable solutions to the challenges hindering their effective participation in the targeted value chains and related market systems. The co-creation process must involve an expert of the particular primary products to which value addition is being planned, such as a food-processing engineer in the case of food-based agricultural value chains.

During the co-creation process, the stakeholders visualize and illustrate their ideas and proposed solutions to create a basis for subsequent technical conceptualization of proposed development solutions.

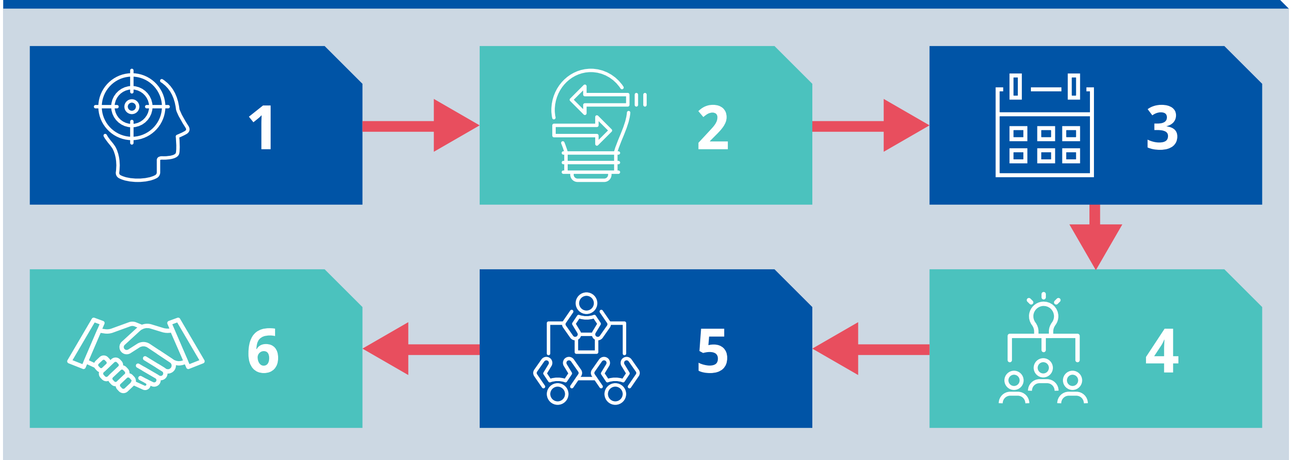
The co-creation process is summarized in the diagram below.

An important output of this step is stakeholder consensus on four main issues, namely;

- What particular produce or products the value addition and post-harvest initiatives should focus on.
- What business model will be used for addressing any value addition and post-harvest management requirements.
- How the participating stakeholders could become part of the proposed business model.
- What potential partnerships and synergies should be explored and established to develop more viable and sustainable business solutions.

*Workers at Mutoko Fruits and Veggies Pvt Ltd grading horticulture produce in Mutoko*

**Figure 4: The Co-creation Process**




**1** Understand the need

**2** Understand context

**3** Frame expected outcomes

**4** Share and discuss initial ideas

**5** Creative knowledge sharing and developing potential solutions – Collaborative discussions to arrive at ways to address need

**6** Negotiate and agree on best solution that satisfies all stakeholders

## Step 3: Designing the business operating system

By this time, a broad understanding of viable and sustainable solutions for addressing the challenges facing primary producers and other market players at the bottom of the value chain should be agreed. The next step is to secure the services of technical experts (e.g. food-processing, agro-processing and other value-addition experts) to further develop the conceptualized ideas into concrete operating structures. In the case of the anchor enterprise model, this step involves two elements:

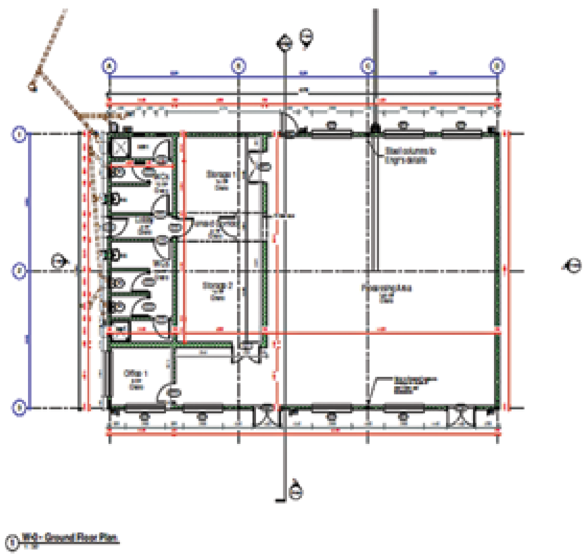
- **Defining the technology and processes** processes required for adding value to the local produce and products and developing the related processing flow chart and equipment layout diagrams. This step guides identification of the right kind of equipment and infrastructure and helps to establish the level of processing ambition (in terms of the type of processing) to be considered. This process can be further enhanced by developing a processing manual, which can be used as a technical guide for the operations of the anchor enterprise and for ease of replication, in case a similar establishment needs to be set up elsewhere.
- **Designing the physical infrastructure needed to house the proposed processing facilities**. This includes identifying preliminary infrastructure requirements based on the process flow chart and equipment layout diagrams, such as the kind of energy needed to power the equipment and related infrastructure and the required water supply systems and designing of architectural and engineering drawings, and related bills of quantities.

The two outputs from this third step are:

*Tomato Paste Processing Equipment in Mutoko*

a) a clearly defined value-addition process and related technology, the required machinery, equipment and processing manual/ guidelines; and

b) infrastructure specifications including architectural and engineering drawings for the processing facilities and the physical value-addition buildings.



## Step 4: Developing collaborative partnerships for synergy and greater impact

The partnerships for a successful anchor enterprise involve collaboration with private sector and public programmes willing to co-investment in various elements required to bring the model to reality. Such collaborative partnerships could include co-investments in infrastructure construction or the co-management of the anchor enterprise and/or facilitating market access for the products from the anchor enterprise. The common interest of all partners to build efficient and sustainable value chains, which can compete in national or global markets presents a good opportunity and incentive for executing collaborative and commercially viable win-win partnerships.

The main output from this process is the identification of at least one strategic partner who can play a key role in supporting the operationalization of the anchor enterprise into a profit-making going concern. Such a strategic partner could also help the anchor enterprise to play its role of stimulating productivity, aggregating produce, undertaking primary value addition needed to reduce post-harvest losses, enhancing produce value and securing markets that are more lucrative.

*Mr Raymond Besong, the YWEP task manager from the African Development Bank meeting Mr E Murinda, the Director in the Ministry of Youth, Sports, Arts and Recreaction and Mr Joseph Jean Marie Momo, Chief Regional Programming Unit for the African Region*


*Mutoko Fruits and Vegetables Anchor Enterprise*

## Step 5: Bringing the model to life

The process of operationalizing the business is closely linked to that of developing the processing systems and that of designing and building the infrastructure needed to produce the expected value-added products. It has three main stages, namely;

- **Developing and (where applicable) constructing or renovating the hardware or infrastructure** that will act as a business hub providing post-harvest management, value addition and embedded services to local producers, including business information and basic technical and business skills. This process involves working with architects, building and process flow engineers to develop the technical drawings and secure building approvals from the local authorities. The producers and key stakeholders (including district officials and the environmental management authorities) should be closely involved in the designing process of the buildings. After the design, the actual construction of the required buildings and related infrastructure follows. This stage usually takes the longest and the time can be shortened by utilizing or renovating existing infrastructure, where possible.

The key output of this process is twofold; i) Council-approved architectural and engineering drawings for the anchor enterprise infrastructure with enough space to accommodate a sizable processing area, with at least two offices and storage space for raw materials and finished products; ii) Fully constructed building and related infrastructure, complete with water and electricity supply systems. The minimum infrastructure requirements for a medium-sized rural processing facility are indicated in the diagram below.

*Tomato Paste Processing Factory at the Mutoko Fruits and Vegetables Anchor Enterprise*

*Tomato Paste Processing Factory under construction*


*Mopane Worms Processing Factory in Beitbridge, Mbvelelo Pvt Ltd*

- **Identification of value addition and post-harvest management technologies and equipment**, and, where needed, development of related processing manuals to guide the operations of the anchor enterprise. This stage should ideally involve the same experts who lead the initial co-creation process and with subject experts, processing engineers/technologists, management process expert to identify the right kind of technologies and equipment to be used. The process is best conducted in a participatory workshop setting led by technical experts.

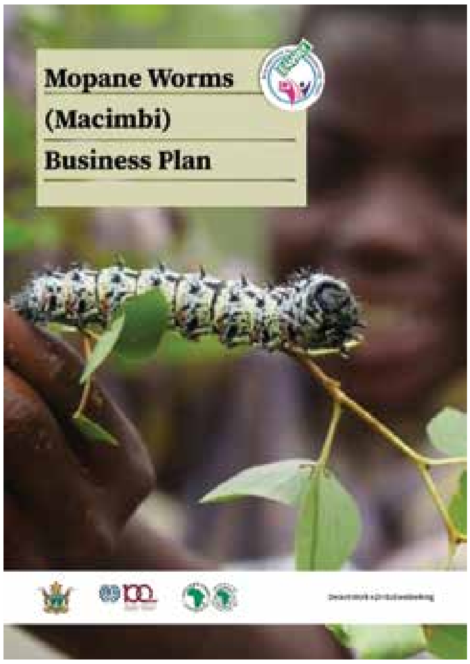
*Totamo Paste Processing Equipment in Mutoko*

*Value addtion of Mopane Worms by the Mbvelelo Pvt Ltd*

The expected output of this stage is a technical processing manual, which clearly outlines the processing flow chart and the related standard operating procedures for the value addition (usually primary processing) and post-harvest management process for the related value chain products. The list of required equipment and their capacities should also be the output of this stage.

- **Developing the business operationalization strategy for the Anchor Enterprise:** This stage involves first creating business models that define how the anchor enterprise will create and deliver value to the key stakeholders within the given economic, social and cultural contexts. The business model is the framework from which a business plan, which defines the financial and operational viability of the value-addition activities to happen at the anchor enterprise, should be developed. In addition to outlining the financial and operational viability of the enterprise, the business plan also defines, the preferred legal form of business, shareholding and governance structure, and staffing levels. The business plan should outline the production process, capacity utilization and key financial indicators required for profitable and sustainable business operations.

The output of this stage is an operational business model and business plan that defines the key components of the business model, the proposed legal form, the shareholder and governance structure, recommendations for staffing levels and a financial model that ensures continuity of business operations. The business model and the business plan together constitute the business strategy that is used to operationalize the anchor enterprise infrastructure into a profit-making business entity.



## Step 6: Enhancing the capacity of producers to effectively engage

This step seeks to ensure that the primary producers and participating local market players at the bottom of the value chain are equipped with the right skills and competencies for effective engagement. This include enhancing their ability to operate their micro and small businesses (and small-holder farms) more successfully so that they produce quality inputs for the anchor enterprise and enhancing their skills to effectively engage in negotiations with more powerful firms in the value chain. The process also includes building the producers' capacity to participate in the management and governance of the anchor enterprise. Collectively, these support interventions help build the local producers' capacity to successfully integrate into the core value chain as key market players.

The interventions design at this level are also informed and are directly linked to the findings of the MSA. The interventions thus aim at addressing the identified bottlenecks and challenges that hinder the market from working better for the poor and prevent producers at the bottom of the value chain from engaging in sustainable business operations that generate enough income and revenue to sustain their livelihoods.

It is at this stage of the anchor enterprise value chain development model where project interventions have the most flexibility to facilitate large-scale impact. This can be done by ensuring that interventions are extended to sizable numbers of market players.

Depending on the results of the MSA, interventions at this stage can involve all three key players in each market system, namely,

- **core value chain actors** involved in the buying and selling of the value chain products;
- **providers of various support services**, such as training and business development services providers;
- **policy makers**, , regulating the rules and regulations governing business operations and conduct in the market system. (rules can be formal and/or informal).

It is important to ensure that interventions are designed and executed in such a way that they generate/or induce new behaviours and practices among concerned value chain players which result in improved performance of the value chain and ultimately benefit the target participants.

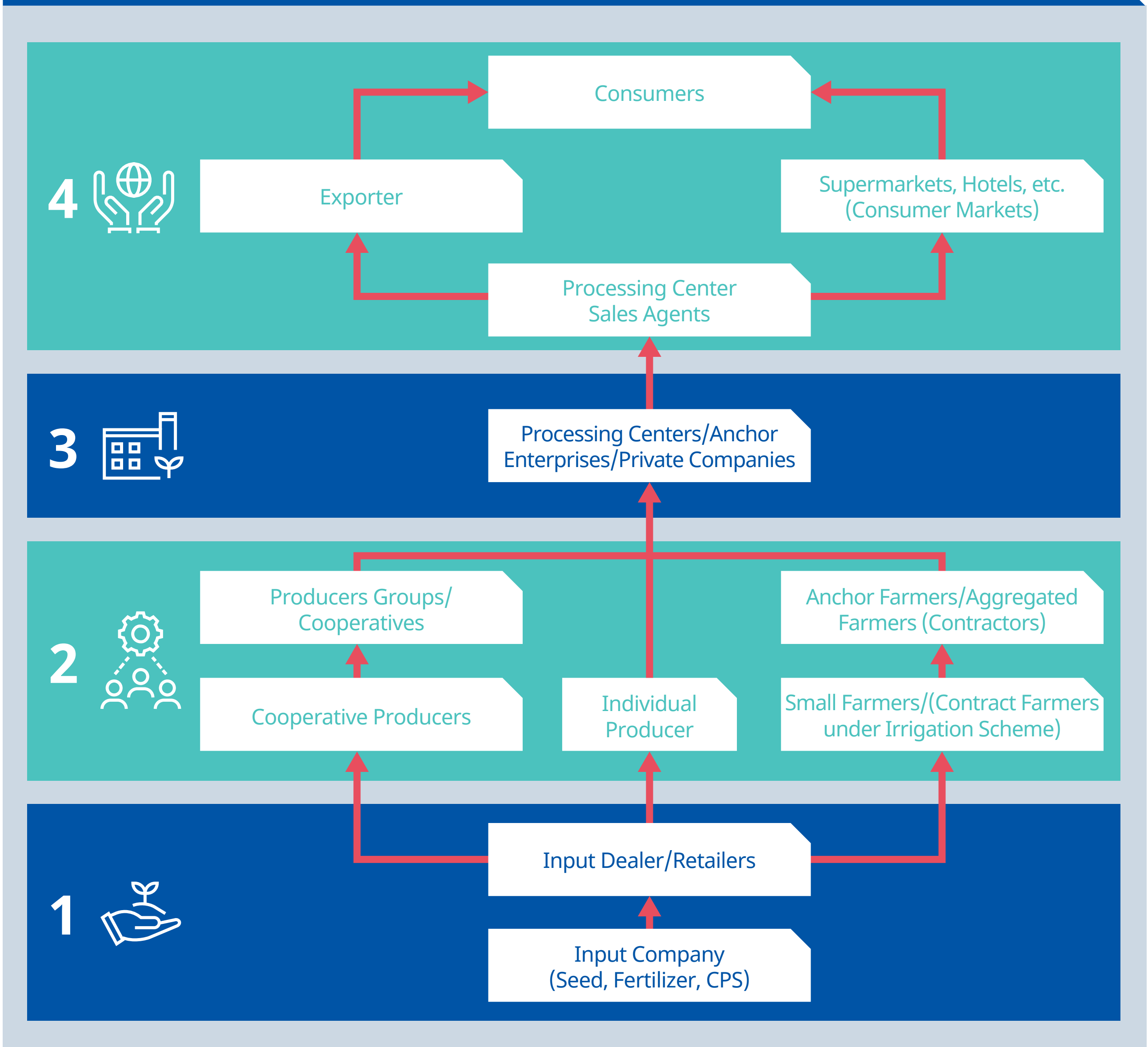
The intervention logic must be clearly articulated, showing how planned activities will result in the intended benefits for the targeted group.

### A case of interventions involving actors dealing with rules and governance of a value chain

In the Mopani worm value chain, traditional leaders are responsible for ensuring that villagers and community members adhere to sustainable harvesting practices of Mopani worms. This includes that not all Mopani worms are supposed to be harvested per tree. This informal rule serves to ensure that there are enough worms to complete the cycle needed to produce eggs for the next outbreak and harvest season. Community members who do not adhere to these rules are sanctioned by the traditional leadership. With the view to ensure sustainability of the Mopani worm value chain, the YWEP has built the capacity of the informal traditional leaders and is working with them and local district councils to translate the informal rules into legally enforceable by-laws.

*Labelling of package Mopane Worms at Mbvelelo Pvt Ltd*

**Figure 5: Horticulture Market Value Chain with Processing Centre**




**1 Input selling**
Support Services:
- Transportation
- Extension Services

**2 Producing**
Support Services:
- Transportation
- Irrigation
- Payment
- Technology (green house)
- Post Harvest
- Quality Control Mechanism

**3 Processing**
Value Added Service:
- Packaging
- Processing
- Storage
- Construction Firms

**4 Trading**
Support Services:
- Market Promotion

The output of interventions in this step are twofold:

i) Documented training programmes and training materials, which can be used to address similar market systems deficiencies for other producers and market players at the bottom of other value chains.

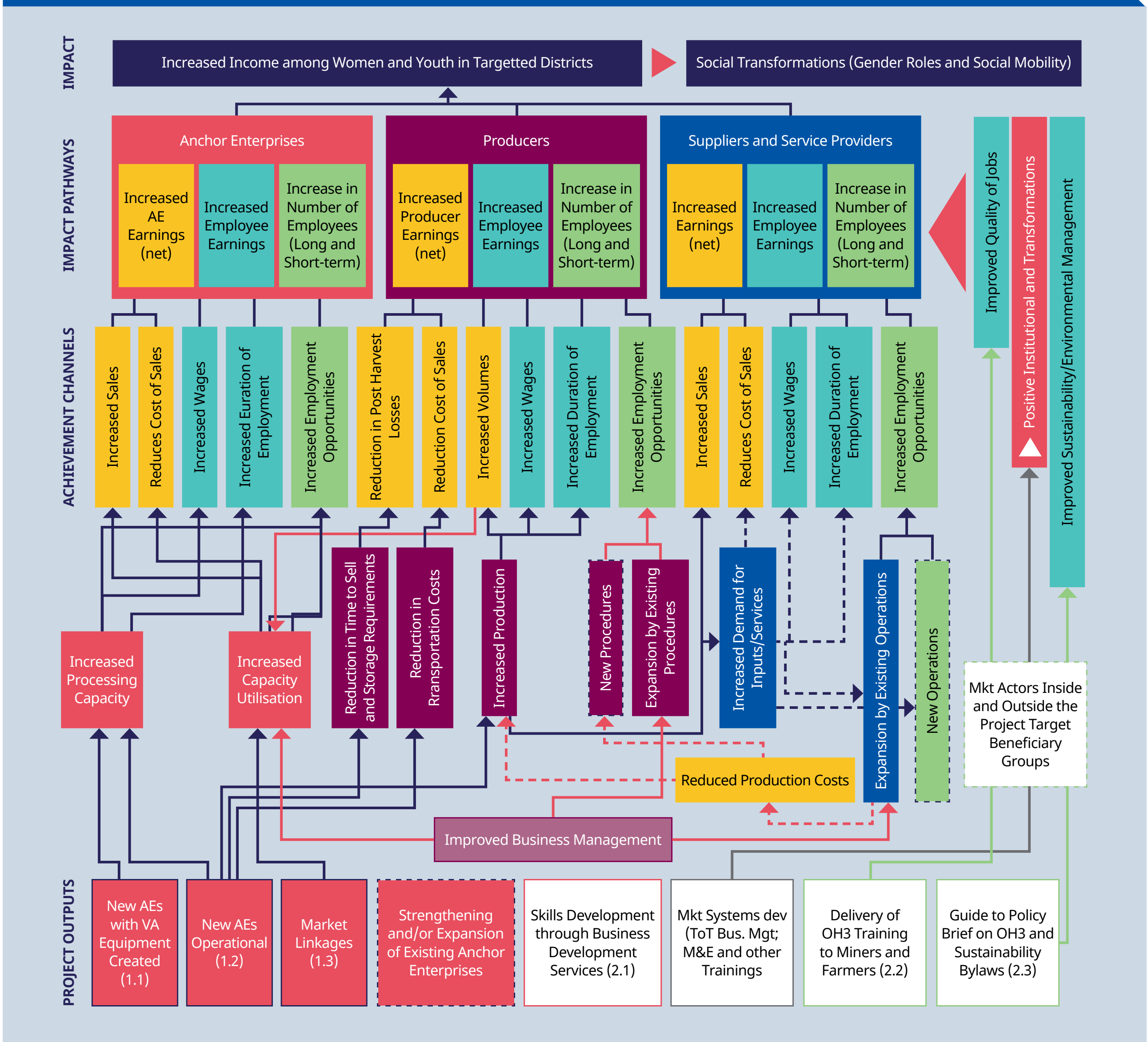
ii) A group of technically competent producers and services providers with capacity to interact with the anchor enterprise and other market actors in a professional and commercial manner.

## Step 7: Develop and implement a monitoring and results measurement framework

The monitoring and results measurement system allows the project to define how the project's objectives and targets will be measured. The system must define the conceptual and methodological building blocks of how the project will measure progress towards intended results and the associated intervention that the project will undertake to collect monitoring data.

The monitoring and results measurement system must be based on results-based management principles and must guide the achievement of better performance and greater accountability by applying a clear, logical framework to plan, manage and measure project interventions with a focus on the results it seeks to achieve. Identifying in advance, the intended results and how progress will be measured help managers to determine whether a difference has genuinely been realized for the project target group. Below is an example of a project results measurement framework.

**Figure 6: A Results Measurement Framework**



# 5. Stories from beneficiaries

## A dream realized (February, 2020)

***"We take these responsibilities with seriousness as our competency is directly linked to our economic emancipation and that of our children",*** said Ms Fadzai Muvango, the Secretary of Rovhona Raita Horticulture Cooperative during the Board induction and corporate governance training for Board Members of Mbvelelo Private Limited Company. Ms Fadzai Muvango is one of the three nominated members to represent the Cooperative on the Board of the Company.

Mbvelelo Private Limited Company was established under Component One of the YWEP which is funded by the AfDB and being implemented by the ILO. The Company adds value by supplying Mopane worms for domestic and international markets.

With a 60% share, Rovhona Raita Horticulture Cooperative nominated three members to the Board of Directors of the Company, which also includes two members from the other two shareholders and four independent members nominated from professionals in the district. The other shareholders are the Women's Development Fund with 30% shares, the Beitbridge Rural District Council with 5% and the Beitbridge Community Share Ownership Trust 5%.

Women of Rovhona Raita Horticulture Cooperative finally have the shared destiny of economic empowerment in their hands. Mbvelelo Private Limited Company was unveiled to the Cooperative as a legally constituted and registered company limited by shares and it formalizes the trade of Mopane worms from the Matebeleland


*Rovhona Raita Horticulture Cooperative members supervising the mounting of the project signage on the front wall of the Mopane Worms Processing Factory in Beitbridge*

*Listening attentively, the executive members of Rovhona Raita Horticulture Cooperative during a Board induction and corporate governance training in Beitbridge*

South Province of Zimbabwe. Through the Cooperative's majority stake, the women have a greater control and voice in the vision of the Company and have tied their fortunes to the success of the Company.

On 19 September 2019, a Board induction training was conducted for the Board members and was attended by stakeholders that included local chiefs, government departments and the local business community. The objective of the training was to orientate the Board on its roles and responsibilities, good corporate governance practices, introduce important provisions of the Companies Act and to create a strong footing for the governance structure of the Company.

Commenting on the training, the Vice-Chairperson of the Cooperative, Ms Jessie Ndou, also nominated a Board member said, "This is our first time to be part of the management structure of such a formal entity and this business organization is new to us. Hence, we take up the mantle with a lot of caution, enthusiasm and eagerness to learn".

Mbvelelo Private Limited Company is located in Matshiloni Village, 50km from Beitbridge along the Beitbridge – Masvingo Highway (A4). This is the major transport corridor for the trade and export of Mopane worms to neighbouring South Africa. The Company is changing the landscape of the Mopane worms trade by eliminating the exploitative intermediaries and reducing their export unprocessed. Effectively incomes for the thousands of Mopane worm harvesters from Beitbridge and surrounding Districts (Chivi, Mwenezi, Mberengwa, Chiredzi and Gwanda) will improve as they trade more with the Company. The economic opportunities along the core value chain and support sectors will benefit many more businesses and households. For the 23 members of Rovhona Raita Horticulture Cooperative and their families, the benefits have been immediate.

## Business management training helps improved market access, February 2020, Mutoko

***"We sell our tomatoes to intermediaries at Mbare Musika Vegetable Market in Harare, which is 150km from Mutoko and whatever remains unsold is thrown away because it is costly to transport it back,"*** says twenty-two-year-old farmer, Prosper Chawarerwa, as his brother, watering and weeding a healthy crop of tomatoes, nods in agreement.

Rural farmers in Mutoko and surrounding areas face serious difficulties in accessing markets to sell their produce. They are constrained by a poor road network from their farms, high transportation costs, limited knowledge, and the lack of business skills and an organization that could give them the bargaining power they require to interact on equal terms with other market intermediaries. "We have no say over the price, even though we know it is very low, there is no room to negotiate. At least we get something to sustain ourselves" attested Prosper.

*Youth farmers in Mutoko*

*Woman farmer participating in a Business Skills and Financial Literacy Training*

With markets for agriculture products becoming more complex with the demand for high-value products increasing, opportunities exist for rural farmers to earn more from their produce and complement the traditional markets.

The AfDB funded the YWEP that is being implemented by the ILO in partnership with the Government of Zimbabwe, is establishing anchor enterprises to add value to produce, connect rural farmers to markets and ensure their produce meets market standards. The project is also supporting the capacity development of rural producers.

About 204 producers have received Business Management and Financial Literacy training. This training has reduced the unequal distributions of power, which means small produces can negotiate better prices for their produce. "With this training I am now able to calculate the cost of producing my crops and know what price to request in the market" said Mable Shamba while giving testimony after the training in Mutoko District.

With this intervention, farmers have been granted opportunities to access markets and negotiate for better prices. With better access to domestic and international markets, the small producers can reliably sell more produce, aim to produce better quality to satisfy international markets, leading to higher prices and income.

This, in turn, encourages farmers to invest in their own businesses and increase the quantity, quality and diversity of the goods they produce.

## Bridging the gender divide

***"I am a divorcee and mother of three children aged 15, 9 and 5. My monthly salary of ZWL$1,400, although not enough to pay for all my needs, I am able to put food on the table, pay school fees for my children and provide other basic household needs"*** shared Pennia Kadzinga as she adjusted the window-frames of the tomato paste-processing factory in Mutoko.

She is one of the eight female builders who graduated from Tabudirira VTC with a certificate in building. She found employment with the firm constructing the tomato paste-processing factory that is funded by the AfDB under the YWEP being implemented by the ILO.

For Pennia, this was not her passion, having grown up in a household and village wherein masculinity dictated the professions one would pursue in life. Her only experience with construction work was watching her brothers and other men in her village in Mutoko mould bricks, hardened by fire in homemade kilns and later used for building houses and toilets. It never crossed her mind that adversity would push her into a profession dominated by men. She proudly exclaimed, "I am equipped with the right skills and holding my own, side by side with male builders".

Her story resonates with those of seven other women builders from Mutoko District employed at the construction site for the tomato paste factory. "I thought I had missed my opportunity when I was not employed during the construction of the pack house, but when I heard that the construction of the tomato paste factory was commissioned, I did not hesitate to apply", shared Dorothy Pote as she arranged bricks into a wheelbarrow.

This group of women are breadwinners in their families and their earnings have become more valuable considering the recurrence of drought, which has ravaged this District as many other parts of the country. Households in Mutoko District depend on agriculture, especially horticulture for income generation and food supplies. Drought has decimated the livelihood of many families and left them vulnerable.

Forced to look for alternatives, these enterprising women enrolled for training at Tabudirira VTC and as they say, "opportunity met preparedness"!

They used to earn their livelihoods from agriculture and were growing butternuts, tomatoes, peas and

*Beneficiaries of the YWEP intevention in Mutoko who got construction jobs*

*Beneficiaries of YWEP engaged in the construction of the Tomato Paste Factory*

fine beans. A good harvest would assure them of at least USD10 for a bag of butternut, ZWL$40 for a box of tomatoes and ZWL$150-$200 for a bag of peas. A good rain season would make it possible for them to grow these crops three to four times per annum, which would result in them never becoming desperate for school fees, cooking oil, soap nor new clothes and other essentials for their families.

In addition to the eight women, 16 male former students from Tabudirira VTC are also employed at the construction site in various trades. They are grateful for the opportunity to put into practice the knowledge and skills they acquired during training at the VTC, more so as they are working under the supervision of seasoned engineers from a reputable construction company.

The construction of the tomato paste factory is not the end. Once finished, together with the pack house, it will catalyse productivity of the many farmers in the district, creating employment opportunities along the value chain. In the meantime, the construction phase has created 220 temporary jobs directly and indirectly from resources provided by the AfDB.

*Beneficiary of YWEP engaged in the construction of the Tomato Paste Factory*

# ▸ 6. Lessons learned – the do's and don'ts

The implementation of this economic empowerment model that aims at better understanding the gaps and opportunities in the rural economic activities and giving voice and space to producers in the governance of value chains requires a structured phased intervention approach with clearly defined pilot, consolidation, replication and exit phases. Realistic budgets, project timeframes and scope are crucial to success and the level of ambition in terms of number of sites; processing centre specification and business development support delivered to beneficiaries must be aligned to the project budget. Accordingly, the intensity and type of support, and the number of partners, will likely vary considerably across the different phases and progress from one phase to the next should be conditional to the interventions having met pre-defined milestones.

**Partnerships:** Implementation of this model is at grassroots level and, as such, requires strong partnerships across levels to ensure the participation and support of affected groups and promote sustainability. Experiences from Zimbabwe under the YWEP project, partnerships with government departments at headquarters, provincial and district levels were critical in overcoming bureaucratic red tape and resolving community disputes that would have otherwise derailed the programme.

**Gender dynamics:** Gender dynamic considerations should be incorporated into the selection of the target subgroups. For example, the participation and role of older women is more pronounced in on-farm jobs, where they dominate rural agriculture production and where incomes are low. Women participation is much lower further up in the value chain where incomes are normally higher due to the processing and value addition of products, which yield higher prices compared to further down the value chain. Deliberate targeting of marginalized market actors is therefore important to ensure the poor benefit from the distribution of incentives in the value chains.

**Linkage to a formalization strategy:** Additional benefits can be derived from the anchor enterprise model when it is linked to a formalization strategy for the value chain actors. The model creates opportunities for primary producers and other value chain actors to formalize their businesses in order to effectively engage and participate in the value chains. In this model, formalization is achieved through two channels.

- **The cooperative enterprises becoming formally registered:** Individual entrepreneurs become formalized by virtue of membership in a registered cooperative because the cooperative takes the responsibility for facilitating access to formal services like social security, markets, financial services and facilitates compliance to formal obligations like tax payment, which is in turn, done collectively rather than by individual entrepreneurs. Members derive benefits from this collective formalization in addressing the 'governance' aspects of informality. Such a model of collective formalization has the potential to fast-track formalization of the informal economy in any society but more so in Africa where such mutual benefit mechanisms have existed for a number of years. Collective formalization can be attractive for entrepreneurs and has the potential to increase their productivity because it eliminates individual administrative burdens on both compliance and access to services.

*Beneficiaries of YWEP intevention processing Mopane Worms in Beitbridge*

- **Individual enterprises becoming formally registered:** Individual entrepreneurs assume the burden formally to register their businesses to facilitate their engagement with the anchor enterprises and other value chain actors on a professional level and access to formal services.

**Expected project outcomes are positively linked to economic performance:** The anchor enterprise model uses private business concepts anchored in the profit motive to facilitate the participation and influence the creation and distribution of incentives among the value chain actors. This strategy ensures the resilience and sustainability of the intervention beyond the project timeframe and inadvertently ties the project outcomes on increase in incomes and creation of employment opportunities to economic performance of the nation. This means that the project's outcomes are pro-cyclical, they fluctuate in a way that is positively correlated with business cycle fluctuations in gross domestic product (GDP).

**Linking project outcome to contracts:** Employment and income-earning opportunities targets can be enhanced by building in these outcomes in contracts with service providers. For example, requesting construction companies to employ local skilled and unskilled labour and sourcing of materials from local vendors. This has an added benefit of developing local skills and enhancing employability through on-the-job training and the trickling down of incomes beyond the direct recipient. Linking project outcomes to contracts demonstrates the strength of the model in providing opportunities to the local communities and can in turn promote acceptance of the intervention.

**Project time frame:** Implementing a project that uses this model will require an inception phase of at least one year followed by an implementation phase of at least three years minimum and a little more if the project plans to engage in any related building construction activities. In practice, preliminary activities like stakeholder engagement and consensus building can take a considerable amount of time which has to be sufficiently budgeted for during project design. The experience from the YWEP was that it takes an estimated 16 months to put in place this initial processes.

**Project budget:** It is important to have clearly defined and agreed parameters and specifications of interventions to be undertaken in specific project sites. The parameters must be informed by prior analytical research that underscores the feasibility and viability of proposed interventions. The absence of clearly agreed parameters of what should constitute a producer-owned anchor enterprise can lead to significant scope

*Beneficiaries of YWEP intevention grading horticulture produce in Mutoko*

*Women participating in Business Skills and Financial Literacy Training* creep that can easily throw the project off course. Sufficient resources must be allocated to each of the seven stages of the model including developing the capacity of targeted communities to become active and informed market actors.

**Selection of project participants:** There is need for flexibility in target group selection, and in the process of defining the shareholding structures, board composition, and company constitution. The registration of the anchor enterprises as commercial entities should be done in the early stages of the site entry, and any lessons drawn from the process should be applied to subsequent phases.

**Local politics:** The implementation of the project occurs at grassroots levels such that local politics and sensitivities have a significant influence on project performance, acceptance, participation and success. This model requires a clearly defined and agreed-upon relationship with the national and local administrative leadership and ownership structure. The ownership structure must clearly place and protect controlling interest of the established anchor enterprises in the hands of the beneficiaries and at the same time protect the anchor enterprise from a dysfunctional group of the beneficiaries. The intervention attracts the interest of politicians because of two reasons. First, the target group of this intervention, women and youth, are political capital in many countries especially in Africa and second the tangible assets/results, especially the economic infrastructure. These can make the intervention a target for use as a campaigning tool by politicians and a target for asset-stripping or takeover by influential members of the community.

**Clearly defined pathways of employment and income opportunities:** It is important to clearly define and communicate the different pathways of employment and income opportunities for the different segments of the target group. The targeted primary producers should be separate from those who will be employed by the anchor enterprise. The anchor enterprise employees should be full-time wage and professional employees. An observed tendency during implementation was a strong likelihood that some targeted primary producers were interested and preferred to get jobs within the anchor enterprises. This can result in a conflict of interest and lead to a situation where employees are also suppliers and compromising the employment-creation potential of the primary producers.

**Sustainability:** The design of such a project should consider the entire value chain, from a systemic perspective by viewing the target sectors as part of a wider system of core market players, of rules and regulations and supporting functions. All of which could require some intervention if the project is to successfully address the economic empowerment needs of its target participants. Project interventions should therefore seek to address the identified challenges and not focus on targeting only one aspect of the chain (e.g., value addition of produce).

From the onset of implementation, the project should emphasize sustainability by clearly identifying when, how and who will take over and follow-up on interventions after the project period. This in important in projects that have short implementation timelines.

**Monitoring and results measurement:** Effective monitoring accompanied with tools, technical support staff and frequent monitoring visits help maximize results, minimize inefficiencies and to provide for timely feedback.

*Packing of horticulture produce in Mutoko*

# 7. Conclusion

The producer-owned anchor enterprise economic empowerment is a replicable model that is designed with the view to foster economic empowerment, while addressing the dual challenge of post-harvest losses and limited market access for producers in rural communities.

The tangible output of the whole model is a profit-oriented and value chain-integrated processing enterprise, which anchors local production, productivity and value, aggregating the production of the many informal and micro producers, adding value to the raw produce, and which facilitates their access to wider and more lucrative domestic and international markets.

This model and similar others are critical to the process of creating jobs and income-earning opportunities and to overall economic empowerment of members of rural communities. The targeted producers are expected to earn income from supplying throughput to the processing enterprise and from profit-sharing. Other value chain actors will derive benefit from the economic opportunities that will arise. By adopting private business concepts, the model introduces professionalism on how the value chain-integrated processing enterprises are governed and operated while sustainability is enhanced by ensuring that:

- The enterprises are established as profit-oriented going concerns.
- The intervention builds the productive capacity and business skills of producers to ensure that producers run their own micro-enterprises profitably.
- The linkage with VTCs ensures the anchor enterprise has access to a pool of potential employees with relevant skills and competencies.

*A Mopane Worm Harvester trading Mopane Worms by the Roadside in Beitbridge*

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# 9. Abbreviations and acronyms

| | |
|---|---|
| AfDB | African Development Bank |
| GDP | Gross domestic product |
| ILO | International Labour Organization |
| MSA | Market system analysis |
| MSD | Market systems development |
| SMEs | Small and medium-sized enterprises |
| VTC | Vocational training centre |
| YWEP | Youth and Women Empowerment Project |

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