

Private sector and poverty reduction

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The private sector plays a key role in poverty reduction through employment and through engaging communities through inclusive business models. This is an approach which is different from just social corporate responsibility as it brings community members in the value chain thus making it a more sustainable relationship .

The Zimbabwean economy has got high unemployment levels and low gross national income per capita earnings GNI of \$840 as at 2014. About 1million people in formal employment for a population of about 13 million people .

This status is at a time when the imports per year for the country are hovering between 6 to 7 Billion against low exports averaging at 3 Billion. This means over the past year we have imported goods worth over 36 billion dollars and we have nothing to show for it. We say have nothing because industrial capacity utilization is around 34% (CZI 2015 survey) ,formal Employment is below 10%.

The imports can be taken to represent the portion of the Zimbabwean Nation's consumption which is satisfied from external suppliers. These goods and services are produced by people working in the countries of supply of these goods and services. In other words we are creating jobs in other countries.

If this work of producing these goods and services was to be done from within Zimbabwe it would create jobs and distributes incomes within the economy of Zimbabwe. These jobs would reduce the unemployment levels. The incomes would reduce poverty levels leading to improved statistics of improved nutrition particularly for women and children. If more of the value chains for supplying goods that are consumed by Zimbabwean are directed inward then it creates a situation where every dollar circulates several times before it goes out of the country to purchase imported content

This demand for goods and services is due to consumption from subsectors such as mining , tourism , agriculture, manufacturing as well directly by consumers.

The CZI congress in July 2016 centered on the Value Chain Approach as an inclusive tool for reindustrialization.

In the past four subsectors were supported by Government incubation measures these sectors were

- 1) Poultry
- 2) Dairy
- 3) Bakery
- 4) Milling
- 5) Edible oils

All these subsectors responded favorably with capacity utilization in these sectors rising from around 30% to above 60%.

For the poultry sector we have seen a rise in activity levels of support sectors such as poultry feed and chicken house accessories and this has resulted in more new jobs being created. Major chicken companies such as Irvines are developing outgrower programs for chickens to increase supply. This is putting incomes into various households. The sector is generating demand for stock feed inputs such as soya beans which is now in short supply. Thus there is guaranteed demand for farmers who grow soya beans.

For dairy , there has been increased demand for raw milk and some of the enterprises in this sector have been importing cows to increase the dairy herd this has resulted in incomes flowing to the rural communities.

The improvement in the Edible oils sector has also resulted in increased demand for soya such that currently there is a shortage of soya beans and the sector companies are importing crude oil for processing. This has created demand for soya beans from farmers so it is expected to drive improvement in the farming of soya beans. This is another example of a consumer value chain which is stretching as far as the farm and then also back to industry for those players who are agro suppliers.

Example of a value chain

For you to get a can of baked beans you need:

- 1, A can,
- 2, other ingredients such as preservatives ,
- 3 , the label ,
- 4, a carton ,
- 5 a pallet ,
- 6, the beans ,
- 7 , the seed and other agro chemicals and fertilizers.

With companies such as Cairns now doing out-grower programs for the beans that they are canning, it is resulting in inclusive growth and industrialization.

The value chain model for inclusive economic and industrial development

The model that CZI is pushing for in some sectors will have a **lead firm** which supports other economic players through linkages.

An example is the sugar milling plant in the lowveld which supports the sugar cane growth not only at Hippo valley and Triangle estates but also sugar cane grown by a large group of out-growers.

Import substitution is a model that CZI is pushing to be used to resuscitate industry and thus create jobs and this should lead to reduction of poverty. So you start with the products that you want to manufacture locally and you develop the value chains that deliver these products.

SI 64 is temporary an implementation tool for import substitution we need to move towards local content based legislation as a tool to promote industrialization and job creation.

The Juicing plant which was set up in Norton as a joint venture between Schweppes and Arda requires feed stock of tomatoes , lemons ,granadillas ,avocado ,mangoes ,guavas . Thus this is a lead company for the value chains for these fruits which various communities in Zimbabwe can benefit from by being suppliers .

Other lead firms include retail outlets such as OK , Pick and pay , etc when they procure vegetables from local suppliers. Its also the same when they buy other locally produced goods

Support programs for inclusive value chain approaches

The Unido program launched for Zimbabwe at the CZI congress in July 2016 will follow the value chain approach.

CZI also has a linkages program supported by the EU for linking large corporates with SME's

CZI also has a agro value chain subcommittee for linking agro processors with suppliers.

Examples of some private sector initiatives that are making a difference in poverty eradication.

United refineries soya out grower program

National Foods Soya out grower program

Irvines chicken production out grower program

Dairy industry dairy herd restocking program

Delta sorghum out-grower program

Out grower programs by seed houses

Matanuska banana out-grower prog in Honde valley

Cotton industry cotton out grower programs

Tobacco contract grower program

Potato contract grower program.

Linkages to other subsectors

When tourists come to Zimbabwe they add to the population of people who require consumer goods and services. If one million people come to Zimbabwe then at that point our population of consumers would have increased by one million thereby increasing demand. If this demand is supplied by local industry it results in increased activity levels for industry . If industry also has strong linkages to communities for supply of some of its inputs then the benefits of tourism are spread to more people .

The mining sector spends about \$700 million on inputs each year but only about 11% is supplied by local manufacturers. Thus there is a huge opportunity for local industry and an equally huge opportunity for spreading the benefits of this consumption to various communities through linkages.

Conclusion

Though we have low levels of FDI inflows we do have inflows of tobacco revenues and inflows of diaspora remittances as well as mineral exports.

For an approach of using what we have , CZI recommends the use of a combination of Local content thresholds in procurement and use of inclusive value chain approaches to improve the level of industrialization to create jobs and reduce poverty. An added tool is one of linkages of the manufacturing industry to the consumption of other subsectors such as mining and tourism.

These local content approaches are used by other countries such as Nigeria , South Africa , Norway , Russia , Brazil , Zambia and Botswana.