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## Expanding Impact on USAID/Zambia Supported Value Chains

USAID/Zambia Cooperative Agreement  
No.611-A-00-09-00005-00

Quarterly Report:  
April 1 to June 30, 2010

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## **I. Introduction**

This report presents the results of AFE's program entitled "Expanding Impact on USAID/Zambia Supported Value Chains" from April 1<sup>st</sup> to June 30<sup>st</sup>, 2010.

## **II. Summary of Main Activities**

AFE continued to make progress in its two main areas of focus: 1) design and implementation of interventions that contribute to the competitiveness of value chains and provide benefits for participating MSMEs and; 2) development of a Private Sector Development Network to build the capacity of local development organizations (DOs).

### ***Value Chain Work***

In the previous quarter AFE conducted interviews with over seventy five lead firms in a variety of value chains to assess their incentives and interest in investing in the supply chain of producers they buy from or sell to. By supporting such initiatives, AFE will compliment technical assistance that many of these firms previously received (from programs such as MATEP) in accessing new markets.

During the quarter, AFE built on this groundwork and developed "Request for Application" (RFA) formats for the agribusiness, crafts, and tourism sectors - designed to facilitate a participatory process whereby targeted lead firms can propose cost share interventions that will support them to implement initiatives that will result in the upgrading and development of producers in their supply chains. This RFA was distributed to more than 90 companies (companies interviewed plus others that responded to an advertisement that AFE placed in local newspapers).

### ***Private Sector Development Network***

AFE formally introduced the concept of a "Private Sector Development Network" to development organizations (DOs) based in Zambia. The objective of the Network is to build the capacity of its members to:

- improve the design and implementation of market-led private sector development programs
- apply market development principles that result in sustainable impact for producers and strengthen the competitiveness of value chains

The first meeting of the Network was held in April 2010. During this meeting strong enthusiasm was expressed and a variety of activities were proposed by participants for the Network's first six months including: 1) guest speaker events; 2) working groups, 3) training programs in value chain development, and; 4) a lateral learning conference. The first guest speaker event took place in June and focused on the topic of how lead firms invest in upgrading producers they buy from or sell to. Guest speakers from Parmalat and Freshpikt made presentations, and AFE facilitated discussions with the more than 26 participants from local DOs that attended. During the quarter, AFE also organized and conducted two, three-day workshops for local DOs in "Value Chain Program Design:

Promoting Market-Based Solutions for MSMEs”. More than thirty participants from local DOs attended – participant evaluations were very positive.

### ***Administration***

During the quarter AFE Zambia continued to develop both its financial management and administrative systems (in conformance with USAID provisions). Unfortunately in June, the AFE Zambia Admin-Finance person, Ms. Judith Chowa, left as she was offered a scholarship to obtain her master’s degree. AFE began recruitment efforts and expects to hire a qualified replacement soon.

***Specific activities and accomplishments*** during the quarter included the following:

- Further discussions with lead firms who have incentives and interest in investing in producers they buy from or sell to. This included:
  - Completed interviews with lead firms in different value chains.
  - Developed and distributed a “request for application” (RFA) format to more than 90 businesses. RFAs were tailored for promising lead firms in the agribusiness, crafts and tourism sectors.
  - Followed up with lead firms to ensure proper understanding of the RFA and to support them in the development of their applications.
  - Began discussions with lead firms that submitted proposals to gain clarification on, and deeper insight into their ideas and how they will result in improved value chain competitiveness and sustainable benefits for MSMEs.
  - Conducted site visits to several of the most promising lead firms that submitted applications to validate information and help the firms refine their proposed interventions and budgets.
- Development of Private Sector Development Network to promote capacity building and lateral learning in approaches to private sector /market development among local DOs.
  - Formally constituted the Network and agreed with participants to pursue a variety of activities over the next six months including guest speaker events, working groups and a lateral learning conference.
  - Organized and conducted successful guest speaker event
  - Organized and conducted two, three-day value chain training programs
  - Received requests from several DOs for “in-house” training and capacity building for their staff in private sector development approaches.

During the quarter AFE Zambia received technical support visits from AFE senior staff Mr. Frank Lusby (Executive Director) and Ms. Jill Majerus (AFE Bangladesh Country Director). During these visits the AFE senior staff worked closely with the AFE Zambia team to develop the technical programs and address administrative issues.

## **Office Management Tasks**

- Conducted staff recruitment to replace admin/finance position. This included:
  - conducting interviews
  - carrying out reference checks
  - developing employment and remuneration packages to offer to the suggested employee based on previous history
  - sending details on selected persons to USAID
  - discussions with USAID on different candidates
  
- Purchases:
  - Vehicle delivery was delayed and is now expected to be in August.
  - Sent list to USAID of items that AFE was interested in taking over from MATEP but all items were auctioned in the end.
  - Developed different designs for sign board and received quotations
  
- Completed comprehensive personnel manual tailored to AFE Zambia office
  - Manual was reviewed by GRZ labour department and is official approved
  - All employee contracts were reviewed by the labour department and are official approved
  
- Personnel
  - Weekly team meetings to learn, discuss and build capacity
  - Performance reviews of Country Director and local staff were carried out
  - Sessions with AFE senior staff person Jill Majerus on different tools and techniques for managing both technical programs and office administrative tasks (based on examples from AFE Bangladesh office)
  - Capacity building of local staff to conduct AFE VC training program.

## **III. Accomplishments / Results Achieved**

Major accomplishment of the third quarter included:

- Progress was made towards formalized agreements with lead firms in several different value chains. This included developing and distributing RFAs for the craft, agribusiness and tourism sectors to more than 90 firms and follow up visits to promising lead firms.
- Official establishment of a “Private Sector Development Network” (PSDN) in Zambia, including the identification of concrete activities over the next six months.
  - Successful “guest speaker event” with 26 participants.
  - AFE worked with PSDN members to identify three “working groups” that will focus on the following themes: 1) Input Supply and Effects of Market Distortion; 2) Working with Lead Firms, and; 3) How Government can Support Private Sector Development (see attached invitation to PSDN members to participate in these working groups)
- Organized and conducted two, three-day value chain training programs for 32 participants from local DOs.

## **IV. Implementation Issues**

The development of formal agreements with lead firms has taken longer than expected, due to the large number of firms that needed to be interviewed as well as the time required by these firms to develop their applications for support. The process is working very well however and it is expected that there will be exciting interventions and impact developing during the next quarter.

In June, AFE Zambia's Admin/Finance person left AFE to pursue a Masters degree. This required recruitment of a new candidate which is ongoing. Some issues also arose during the quarter involving interpersonal relationships among AFE Zambia staff. After discussions between AFE HQ, USAID, and AFE Zambia staff these issues have been clarified and addressed with all parties concerned and relationships have improved.

## **V. Conclusion**

The AFE Zambia program is progressing well and the overall technical strategy developed from the inception is falling into place. There are a variety of lead firms in different value chains that are proposing innovative interventions to develop the producers they buy from or sell to. This is exciting in that they will be taking responsibility for these initiatives and will ensure that impact continues to accrue to the producers once the interventions end – based on their ongoing commercial interactions with them. The establishment of the Private Sector Development Network – and the enthusiasm being shown by DO participants – is also a very exciting achievement to date that AFE plans to build on.

## APPENDIX

### Private Sector Development Network Working Groups

#### Working Group 1: Agricultural Input Supply and the Effect of Market Distortion

- This group will focus on building the knowledge and skills of both WG participants and the larger DO community to successfully design and implement PSD programs that *facilitate the development of commercially viable markets for the provision of agricultural inputs to producers*. Focus will be on identifying programs and approaches (both in Zambia and elsewhere) that respect market development principles (respecting the role of each actor in the value chain, working with lead firms, promoting sustainability, role of the DO as “facilitator” and not direct provider, etc.)
- Focus of the WG will also be on documenting the negative effects of “market distortions” (that are sometimes produced by DOs). These include:
  - disrupting or holding back private sector investments and initiatives
  - creation of dependencies on the part of producers and other market actors
  - holding back the emergence of private sector commercial markets that could provide needed products and services to producers in a sustainable manner

#### Working Group 2: How government can facilitate private sector development

- This group will focus on building the knowledge and skills of both WG participants and the larger DO community programs on what government can do (and should not do) to facilitate and promote private sector development
- Discussions could include government policies at different levels (local, regional, national) and in different areas (tax breaks, investment incentives, access to land or infrastructure, etc)
- Focus will be on government actions that promote sustainable commercial markets and that do not promote dependency or ongoing subsidies.
- Can also focus on government policies that are having a negative effect on the development of the private sector Could involve some research or study

#### Working Group 3: Working with Lead Firms

- This group will focus on building the knowledge and skills of both WG participants and the larger DO community programs to successfully work with “Lead Firms” as a means of promoting greater value chain competitiveness and generating sustainable benefits for MSMEs (including small-scale producers) that participate in the value chain.
- Definition of Lead Firms (for the purposes of the WG): Lead firms are defined as:
  - small, medium, and large firms that have forward or backward commercial linkages with targeted micro, small, and medium scale enterprises (MSMEs)
  - dynamic market actors that can promote greater integration of MSMEs into value chains and provide them with important products and support
  - includes buyers, traders, input suppliers, veterinarians, exporters, processors, etc
  - vary significantly in size and may operate as part of either the formal or informal economy / are distinguished by the commercial interest they have for engaging with producers (not just corporate social responsibility) and the leverage potential they have to impact them
- As preparation for first meeting WG participants will be encouraged to read the document entitled “*Cycle 1: Defining Lead Firms and Principles of Facilitation*”, *FIELD Support Working Group Publication #1, 2009*.
- Focus will be on identifying programs and approaches (both in Zambia and elsewhere) that demonstrate how DOs can successfully work with Lead Firms in order to promote sustainable private sector development.

## AFE ZAMBIA EXPECTED OUTCOMES AND MILESTONES

<b>Program Interventions</b>	<b>Outcomes/Impact/Indicators</b>	<b>Results to Date</b>
<p>Conduct interviews with Lead Firms (LFs) working with MATEP to understand the nature of their backward linkages with producers</p> <p>Conduct broader analysis with the intermediaries, producers, and support market actors involved in LFs' supply chains</p> <p>Work with LFs to develop strategies to provide improved support to their MSME suppliers (TA, inputs, etc.).</p> <p>Develop MOUs and cost share agreements with LFs that describe the collaboration with AFE as well as roles and responsibilities for interventions</p> <p>Provide TA to LFs in implementing interventions according to work plans and cost share agreements</p> <p>Organize appropriate cross cutting interventions for LFs in the same industry</p>	<ul style="list-style-type: none"> <li>• At least six lead firms providing improved/ expanded support (on sustainable basis) to producers as part of their commercial transactions with them. Support could include: <ul style="list-style-type: none"> <li>○ Training in new/improved production skills</li> <li>○ Access to inputs</li> <li>○ Access to finance</li> <li>○ Introduction of new technologies, etc.</li> </ul> </li> <li>• At least 4000 MSME producers (including staff and workers) receiving improved support from companies they buy from / sell to (technical skills, inputs, finance, new technologies, etc)</li> <li>• At least three lead firms and 1000 MSME producers receiving improved technical support and/or inputs from third-party providers (on commercially sustainable basis)</li> <li>• Sales and profitability of both MSME producers and targeted lead firms increases by at least 10%</li> </ul>	<p>AFE Zambia is engaged in advanced discussions with more than ten lead firms with interest and incentive to invest in the producers they buy from or source from. Agreements and activities with many of these firms are expected to begin in Q4. Based on the number of producers these lead firms buy from or source from it is expected that more than 2000 producers will be impacted in the next six months, with improved technical support, inputs, and/or increased sales and profitability.</p>
<p>Conduct assessment with local development organization and GOZ representatives (that are engaged in agribusiness development and other sectors and industries where PROFIT and MATEP are working) to determine interest in and need for value chain / market development approaches</p> <p>Develop training materials (session plans, case studies, practical exercises, etc) that are based on PROFIT learning, AFE value chain training materials, and target group's needs.</p> <p>Organize training workshops with organizations that are intervening in the same industries as PROFIT and MATEP.</p> <p>Organize additional activities to support learning agenda (workshops, working groups, etc)</p>	<ul style="list-style-type: none"> <li>• Increased awareness and/or application of value chain / market development approaches among at least 100 development practitioners working in same sectors as USAID funded programs (GOZ, NGOs, development projects, etc)</li> <li>• Increased complementarity among donor programs resulting in greater value chain impacts</li> </ul>	<p>AFE's three, three-day value chain training workshops to date have directly impacted 50 development practitioners from local development organizations.</p> <p>The Private Sector Development Network activities have already begun providing indirect impact to more than 40 development practitioners (including those that participated in Guest Speaker event as well as the formative meetings of the Network)</p> <p>The Creation of the Network has also begun a process of improved coordination and understanding of private sector among several donor organizations</p>

**Milestones (information and figures for these milestones can be extracted from column three above)**

**Year 1:**

At least three firms providing improved/ expanded support (on sustainable basis) to producers as part of their commercial transactions with them. Support could include: 1) Training in new/improved production skills; 2) Access to inputs; 3) Access to finance; 4) Introduction of new technologies, etc.

At least 1000 MSME producers (including staff and workers) receiving improved support from companies they buy from/sell to (technical skills, inputs, finance, new technologies, etc)

Increased awareness and/or application of value chain / market development approaches among at least 40 development practitioners working in same sectors as USAID funded programs (GRZ, NGOs, development projects, etc)

**AFE Zambia: Annual Work Plan  
October 2009 – September 2010**

ACTIVITIES	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
<b><i>Program Management</i></b>												
– Coordination meetings with USAID	■											
– Complete recruitment of COP	■■■■■											
– Open Bank Account	■											
– Identification of office space	■■■■■											
– Procure needed office furniture, equipment, and services.		■■■■■										
– Recruit and contract all local technical and administrative staff		■■■■■										
– Initiate office policies and procedures		■■■■■										
– Pursue local registration of AFE		■■■■■										
– Finalize accounting and management systems		■■■■■										
– Procure vehicle		■■■■■										
– Conduct staff performance appraisal (post 90-day probationary period)							■					
– Complete quarterly progress and financial reports				■			■			■		
<b><i>Program Interventions</i></b>												
<i>VALUE CHAIN INTERVENTIONS (the following activities will contribute to IRs 5.1, 5.2., 5.3, and 5.4)</i>												
– Conduct interviews with Lead Firms (LFs) working with MATEP to understand the nature of their backward linkages with producers	■■■■■											
– Conduct broader analysis with the intermediaries, producers, and support market actors involved in LFs’ supply chains		■■■■■										
– Work with LFs to develop strategies to provide improved support to their MSME suppliers (TA, inputs, etc.).												
– <i>[this process might include development and issuance of a “request for application” to LFs (especially if there are several in the industry) where they propose cost share interventions within guidelines and parameters provided by the project]</i>		■■■■■										

ACTIVITIES	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
– Develop MOUs and cost share agreements with LFs that describe the collaboration with AFE as well as roles and responsibilities for interventions			—————	—————	—————							
– Provide TA to LFs in implementing interventions according to work plans and cost share agreements				—————	—————	—————	—————	—————	—————	—————	—————	—————
– Organize appropriate cross cutting interventions for LFs in the same industry					—————	—————	—————	—————	—————	—————	—————	—————
<i>PROMOTING LEARNING IN FACILITATION OF VALUE CHAIN DEVELOPMENT PROGRAMS (the following activities will contribute to IR 5.3)</i>												
– Conduct assessment with local development organization and GOZ representatives (that are engaged in economic sectors and industries where USAID programs have been working) to determine interest in and need for value chain / market development approaches	—————	—————										
– Develop training materials (session plans, case studies, practical exercises, etc) that are based on PROFIT learning, AFE value chain training materials, and target group’s needs.		—————	—————									
– Organize training workshops with organizations that are intervening in the same industries as USAID programs. Underline the importance of relationships among market actors, sustainability of impact, leveraged impact through working with lead firms, etc. Revise training materials as needed.			—————	—————	—————	—————	—————	—————				
– Organize additional activities to support learning agenda (workshops, working groups, etc)					—————	—————	—————	—————	—————	—————	—————	—————
–												
<i>ADDITIONAL ACTIVITIES (POTENTIAL)</i>												
– Coordinate with MSU FSRP and their involvement in the Accelerated Cassava Utilization task force – potential involvement in supporting LFs (Tiger Feed, etc) who are processing cassava with their backward linkages and business model.				—————	—————							
<i>Performance Monitoring and Impact Assessment</i>												
– Finalize performance monitoring and evaluation systems (both quantitative and qualitative tools)			—————	—————								
– Conduct baseline with LFs and their MSME suppliers once MOUs are established with the LFs				—————	—————	—————	—————					
– Conduct semi-annual M&E reports to assess results and make program modifications as needed						—————						—————