

The 'HOW' in detail: Operationalising Value Chain Interventions: Step by step guidance to Value Chain Selection and Analysis, Project Design and Implementation

– an annex to the DCA 'Action Guide' on Value Chain Development (January 2019)

This document complements the DCA Action Guide on Value Chain Development. It provides guidance to DCA and NGO partner staff on the main operational steps in relation to value chain interventions. The below suggested tools and methodology are inspired by the PMSD approach of Practical Action, as well as the M4P approach of SDC/DFID (see References section in the Action Guide document).

The below listing of steps is the ideal sequence. However, Value Chain Interventions do not necessarily originate in a community's own initiative to identify new market opportunities (or improve existing ones) but can also follow from an outside initiative, eg. if a company is looking for new sources of supply or have identified new promising business opportunities wherein producers could play a key role. Still, the appropriate steps and analyses need to be made to ensure profits and fair conditions at the level of the producers and their communities.

I. Preparatory steps: Participatory value chain selection and analysis:

a. Identification of profitable markets and value chains to producers

This initial step consists in DCA and NGO partners assisting producers and communities to carry out a market analysis to shortlist the most relevant and profitable Value Chains to their context. This could be, for example, value chains for: dried mangoes, goats' milk or raw coffee beans. As a point of departure, DCA focuses on local and national value chains, while export markets may be considered if economically interesting to producers and relevant in the specific context.

Basically – maybe even literally – you need to start at the shelves of the nearest supermarket! Outside expert advice may be required to map Value Chains with opportunities for marginalized producers.

b. Comparing and ranking value chains

On the basis of the initial shortlisting, an exercise is carried out with producers and communities to score and rank the different value chains identified. Scoring is done on the basis of a number of criteria which are defined in a participatory manner and which may cover economic, social, environmental concerns.

Examples of criteria include¹:

- Unmet market demand
- Potential for involvement of poor producers and/or for women's or youth empowerment
- Availability/stability of raw material

¹ Inspiration for selection criteria and scoring of value chains may be found in the document 'Guidelines for Value Chain selection' jointly published by GIZ and ILO: https://www.ilo.org/empent/areas/value-chain-development-vcd/WCMS_416390/lang--en/index.htm

- Impact on natural resources/environment
- etc.



Example of village-level ranking and selection exercises, case from Caritas in Myanmar

c. Selection of Value Chain(s)

On the basis of the scoring exercise, including eventual external advice and support, a community or a producers' group will opt for one or two of the highest-ranking value chains. DCA and partners will adapt their support and Value Chain interventions accordingly.

II. Secondary steps: diving into selected Value Chain(s): Mapping and identifying bottlenecks

d. Value Chain mapping – Visualizing the value chain

This mapping exercise may be a project activity in itself, ie. to be carried out at the onset of a value chain intervention. It is highly recommendable that the mapping exercise is carried out with a large group of stakeholders. Alongside producers' groups, other relevant market actors should be invited to take part in the mapping exercise, including eg. transporters, processors, wholesale buyers and even retailers or restaurants, as applicable. Other stakeholders might be representatives of local government or Chamber of Commerce. More specifically, the participating market actors are tasked to draw up the value chain together, thus jointly visualizing the value chain, their own position and the inter-connectedness of the different actors.

The purpose of this exercise is twofold as it allows for i) relation-building between the involved market actors and; ii) a common understanding of the value chain and it's many links, including also those to the enabling environment and the supporting services.

One map is made per value chain, ie. per end-product. For example, several maps may be made for maize as it is used in a range of different end-products (dried maize corn, maize flour, porridge etc.).

Below are pictures from a workshop where DCA staff got to carry out an imaginary value chain mapping exercise, using locally purchased products. It is recommendable to test the methodology internally, on oneself and colleagues, before introducing it to stakeholders 😊.



Value Chain Mapping exercise (using local Tanzanian products) at DCA programme 'Right to Food' officer workshop in Arusha, Aug. 2018

e. Identifying key bottlenecks in the value chain

Once the value chain and key market actors have been mapped out, the next step is to look at the bottlenecks in the value chain, ie. identify the aspects which constrain the market actors from fully engaging in or profiting from their involvement in the value chain activities. Preferably, this exercise follows immediately after the previous Value Chain mapping and engages the same market actors.

As an NGO, we focus mainly but not exclusively on the constraints to producers' market inclusion. Examples of bottlenecks observed by DCA country level staff include:

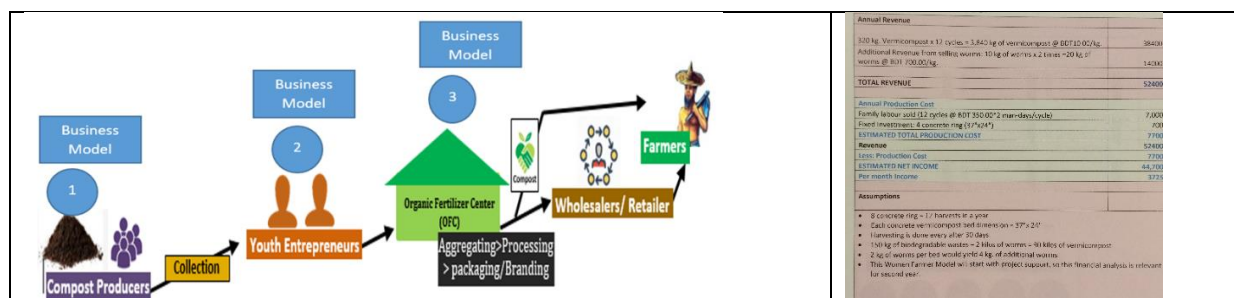
- Skills/knowledge gap of producers, eg. in relation to the desired product quality and standards
- Limited access to credits and investment capital – not only a problem to producers but also to other market actors
- Dysfunctional links (or mistrust) between market actors
- Changing consumer demands and periodically fluctuating prices
- Cultural norms placing restrictions on for example women producers' movement
- Weak supporting services and lack of a conducive business policy framework
- etc.

f. Business case analysis

A key activity in Value Chain interventions is to assist producers and other important market actors to make detailed and realistic calculations of their respective business cases. With a thorough analysis of the business case in question, producers will be able to take stock of the potential profits before deciding whether to take the risk of investing their time and resources into an activity. Basically, the question here is 'are we making money?' If the answer is no, ie. the business case is not convincing, then the producer (or another market actor) is probably better off doing something else and DCA/partner staff should advice accordingly. Business case analyses can be made simultaneously for different markets (eg. local or exports) or different end-products (eg. dried or fresh fish), to compare and decide on the most appropriate value chain to engage in.

The business case analysis can be made by a resource person familiar with the local context (consultant or DCA/partner staff). While it is mainly a desk exercise involving calculations and analysis of market trends, it is important that producers and other relevant market actors are consulted for up to date figures and information. Likewise, they should be involved in analysis and conclusions.

Below is an illustration taken from a report on the case of the vermicompost Value chain in Bangladesh. A business case analysis is made at the level of all key market actors, including producers, calculating the profits when all costs and income from the activity are taken into consideration.



Snapshot from business case analysis for Vermicompost Value Chain in Bangladesh. Calculations are made for all key market actors, including producers, transporters ('youth entrepreneurs') and distribution/sales unit ('Organic Fertiliser Centre').

III. Project design phase:

g. Action plan formulation

Once the Value Chain bottlenecks have been identified and a convincing business case has been presented, DCA and NGO partners support producers and other market actors to formulate an action plan for promoting specific value chains and addressing the key bottlenecks. The action plan should focus on the main constraints to producers' market inclusion, ie. some two-three key bottlenecks, notably the ones which might be addressed with relatively modest investments and within reasonable time.

h. Project design

The action plan forms the point of departure for designing a Value Chain intervention and deciding on an implementation strategy, including objectives, outputs, activities etc. Overall, the objective of Value Chain interventions is to stimulate market inclusion for producers – women, men and youth – in otherwise marginalized communities, in order to generate profits at their level. Outputs may be formulated so that they address each a specific bottleneck or they may concern each a group of market actors with relevance to the value chain in question.

IV. Project Implementation:

The steps in a process for implementing projects, whether as own implementation or via partners, are generic and described in the 'DCA Programme and Project Manual' (PPM).

Value Chain Interventions differ from 'traditional NGO projects' in several ways. First of all, due to the direct engagement with market actors. Secondly, the NGO takes a facilitating role and applies a principle of 'staying out' even before the project starts. These specific aspects are briefly addressed below. A final note is made on gender aspects of Value Chain Interventions.

i. Engaging with market actors – the role for DCA and partners

A common element in value chain interventions is collaboration and engagement with market actors such as for example wholesale buyers, processors or even international companies – either directly through a formalized partnership or indirectly on behalf of producers, as their advisers.

Some rules of thumb for our interaction with market actors include:

- DCA or NGO partners may sign MoU's with market actors but actual contracts specifying agreements on producers' delivery of produce or services should be made directly between the producers' groups/organisations and the other market actors. For example, contracts may stipulate quantity and quality of produce to be delivered by producers to wholesale buyers or they can define the specific obligations of service providers towards small producers. In these cases, DCA and partners will assist producers' groups and organisations with advice for obtaining the best possible conditions and profit.

- A key role for DCA when linking producers to other market actors is to ensure that international standards for human- and labour rights, anti-corruption and the environment are respected. Companies should be aware of their obligations to act responsibly towards local producers (and other stakeholders such as their employees), and willing to improve their way of working if need be. As a concrete example, DCA may convene stakeholders to carry out a so-called 'Human Rights Impact Assessment' (HRIA) to estimate the expected social and environmental impacts of a company's involvement with producers and their communities. The HRIA will point to aspects which need to be addressed in the intervention/project, apart from the activities relating directly to markets and trade.

- Although our role as an NGO is not to assist established companies grow bigger, the best strategy to promote producers' market inclusion is to ensure that a win-win relationship is established between the different market actors. If, for example, the transporter, the wholesale buyer or a service provider are not able to perform their role in the value chain, then the producers also risk losing market shares because their produce will not be transported to the market in time or they will not get the agreed price for their produce. To ensure that win-win relationships are established within a value chain, DCA and partners should act as facilitators and intermediaries for building trust and clear division of roles and responsibilities. For example, DCA or a partner NGO may organize venues/workshops to regularly convene all value chain actors, allowing them to identify and discuss bottlenecks and jointly identify solutions. When urgent issues arise, for example in relation to the fulfillment of obligations by producers or by service providers, the role of the NGO can also be to organize one-on-one talks or meetings to assist in solving disagreements.

j. 'Staying out' - Sustainability and Exit strategy

In Value Chain interventions, DCA and partners take on a role as facilitators and intermediaries of a process to enhance the market inclusion of producers. Preferably, we do not become direct market actors ourselves. As such, our motto should be one of 'developing but not distorting markets'. With this, the exit strategy for Value Chain interventions becomes, so to speak, one of 'staying out' from the very beginning and thereby avoiding to become a direct actor in the value chain². This is of course easier said than done and there are various strategies for handling the delicate task of nursing relations

² Practical Action recommends that the NGO seeks to 'Exit before you Enter' meaning that the NGO should aim to never become a direct market actor in the process of facilitating value chain development

between market actors and promoting producers' market inclusion without becoming a direct link in the value chain. One such strategy implies being very explicit about the role of DCA and partners as outside facilitators or 'supporting services' from the very onset of a Value chain intervention. Another strategy could be to initially partially subsidize service providers to ensure access to relevant services at fair prices to producers – eg. micro credits, quality seeds, advice – while gradually phasing out the subsidies.

k. Gender equality concerns – women in value chains

DCA has a special focus on ensuring women's empowerment and economic participation. Value Chain interventions need to take into account the different roles of men and women's, both at the market, in agriculture and inside the household.

More specifically, in relation to ensuring women's participation in Value Chain interventions, we need to take into consideration:

- *Issues of land ownership and access*: Patriarchal inheritance systems may restrict women's access to cultivable land
- *Access to financing and to productive resources* such as livestock, labour, technology etc.: Women may experience constraints in their access to resources and assets.
- *Educational level* (literacy, numeracy, financial literacy): women are often less educated than men, something which may restrict their technical knowledge, their decision-making power and their relations with other market actors.
- *Access to advice and training*: Women may be restricted from attending trainings due to their household and child care obligations. Cultural norms can prevent them from communicating directly with extension workers or buyers who come from outside their community.
- *Group or individual business*: In some settings it may be more culturally acceptable for women to engage in value chains as part of a women's producer group than to act on individual basis.

A number of publications deal with gender equality issues in relation to Value Chain Development³

³ Recommendable publications on gender issues in relation to Value Chain Development include:

- 'Investing in Women along Agribusiness Value Chains' (IFC, 2016), https://www.ifc.org/wps/wcm/connect/d19235d7-2ba7-4f7b-b0c6-5198fe9e4d30/Women+in+Agri+VC_Report_FINAL.pdf?MOD=AJPERES
- 'Developing gender-sensitive value chains' (FAO, 2016), <http://www.fao.org/3/a-i6462e.pdf>