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Enter - Growth

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Local Value Chain Development for Decent Work

An operational guide

Combining Local Economic Development (LED) with Value Chain Development (VCD) to strengthen competitiveness and integration of SMEs into markets

Version 1.1







International Labour Organisation
Enterprise for Pro-poor growth

By Matthias Lesego Herr

Acknowledgements

This guide is the result of joint efforts. It is based on actual learning experiences made by the ILO Entergrowth project in Sri Lanka. It is therefore also a document in progress, as new experiences are made along the way. Revisions and updates will be made from time to time.

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A big thank you also to the rest of the ILO Entergrowth project team:



Contents

Part I: What and why? 6

1. What are Value Chains? 7
2. Why is it important to understand value chains? 8
3. The target: *LOCAL* value chain development 10
4. The means: five triggers of value chain development 15
   4.1 System efficiency 16
   4.2 Product quality and specifications 16
   4.3 Product differentiation (competition) 17
   4.4 Improve social and environmental standards 18
   4.5 Business environment 19
5. Further reading 20

Part II: The *How* of Local-VCD 21

Module 1: Build-up (Initial Research) 22

1.1 What is a 'Build-up'? 22
1.2 Why do a Build-up? 23
1.3 How to do a Build-up? 24
   1.3.1 Local-VCD Team 24
   1.3.2 Mapping the value chain and identifying private sector stakeholders 25
   1.3.3 Collecting initial data on the target sector 30
1.4 Final Checklist 32

Module 2: Hypothesis workshop 33

2.1 What is a Hypothesis Workshop? 33
2.2 Why conduct a Hypothesis workshop? 34
2.3 How to conduct a Hypothesis workshop 35
   2.3.1 Introduction to Local-VCD 36
   2.3.2 Expected strengths and weaknesses along the value chain 37
   2.3.3 Local competitive advantage 38
   2.3.4 Expected outcomes 38
2.4 Final Checklist 39

Module 3: Start-up Workshop 40

3.1 What is a Start-up workshop? 40
3.2 Why carry out a Start-up workshop? 41
3.3 How to carry out a Start-up workshop? 41
   3.3.1 Whom to invite to the Start-up workshop 43
   3.3.2 Refining the value chain map 44
   3.3.3 Questionnaire 45
   3.3.4 Assessing strengths and weaknesses 47
   3.3.5 Closing & Evaluation 47
3.4 Final Checklist 49

Module 4: Focus group discussions & interviews 51

4.1 What are focus group discussions and interviews? 51
4.2 Why conduct focus group discussions and interviews? 52
4.3 How to conduct focus group discussions and interviews? 53
   4.3.1 Whom to interview 53
   4.3.2 Some logistical aspects 55
   4.3.3 Using the five triggers for Local-VCD as analytical framework 55
   4.3.4 Focus group discussions 56
   4.3.5 Interviews with key stakeholders and decision makers 58
   4.3.6 Star diagram 60
   4.3.7 Documentation and evaluation of results 62

4.4 Final Checklist 65

Module 5: Evaluation & Results Workshop 66

5.1 What is a Results Workshop? 66
5.2 Why conduct a Results Workshop? 67
5.3 How to conduct a Results Workshop? 67
5.3.1 Before you start 69
5.3.2 Some logistical aspects 70
5.3.3 Mapping value addition (optional) 71
5.3.4 Value chain governance (optional) 75
5.3.5 Identifying opportunities, constraints and causes 78
5.3.6 Formulating & mapping interventions 79
5.3.7 Example: Action Plan for ornamental fish sector in Polonnaruwa (Sri Lanka) 88
5.4 Final Checklist 91

Module 6: Results Presentation and follow-up 93

6.1 What is a Results Presentation and follow-up? 93
6.2 Why do a Results Presentation and follow-up? 94
6.3 How to conduct a Results Presentation and do follow-up 95
6.3.1 Whom to invite to the Results Presentation 95
6.3.2 Results Presentation 96
6.3.3 Press Kit 97
6.3.4 Follow-up 98
6.4 Final Checklist 99

Annex 100

Annex 1: Alternative value chain maps 101
Annex 1.1: Example Value Chain Map 1 (Kurunegala dairy sector) 106
Annex 1.2: Example Value Chain Map 2 (Kurunegala dairy sector) 107
Annex 1.3: Example Value Chain Map 1 (Kalpitiya vegetable sector) 108
Annex 1.4: Example Value Chain Map 2 (Kalpitiya vegetables sector) 109
Annex 1.5: Example Value Chain Map 1 (Anuradhapura Tourism sector) 110
Annex 1.6: Example Value Chain Map 2 (Anuradhapura tourism sector) 111
Annex 2: Format for focus group discussions with local producers 112
Annex 3: Interview guideline for local producers 116
Annex 4: Interview guideline for collectors and other intermediaries 120
Annex 5: Interview guideline for large producers (same area of business as the target sector) 125
Annex 6: Interview guideline for exporters 129
Annex 7: Interview guideline for (large) retailers and other buyers 133
Annex 8: Interview guideline for supply retailers and companies 137
Annex 9: Interview guideline for BDS providers 141
Annex 10: Template for Star Diagram 144
Annex 11: Checklist Rapid market assessment 145
Annex 12: Checklist sector selection 148
Annex 13: Checklist initial research 152
Annex 14: Checklist overall Local-VCD procedure 155

Part I: What and why?

This guide describes a project approach to value chain development that can be used on a local basis within a timeframe of four to eight weeks. By local, we refer to a limited geographical area, such as a town, a village or a district. Contrary to common Local Economic Development (LED) approaches, this is a one-sector-only approach that looks at a particular sector (e.g. dairy farming) within a local community and how this sector is integrated into markets. The guide combines an LED approach with a value chain approach to strengthen the competitiveness of small and medium enterprises and their integration into markets.

The outcome of a Local Value Chain Development (Local-LVCD) project as proposed in this guide is a value chain analysis that identifies opportunities and constraints of a particular local sector and its market integration. The analysis which uses a participatory approach and combines it with further detailed research includes a set of recommendations on how the competitiveness of the local sector can be increased within the value chain. It is an action-oriented approach, which shows local stakeholders the way they need to go.

Local value chain development consists of two main objectives:

Strategic long-term re-orientation	Providing guidance for a strategic and sustainable re-orientation of a particular local sector with the aim to increase its long-term competitiveness in a national and international business environment.
Quick-win short-term incentives	Providing simple recommendations that stakeholders can quickly implement, showing quick returns. These proposals aim at short-term development and are important incentives for taking up long-term challenges.

Part I of this guide will give you a brief introduction into value chain concepts, whereas *Part II* focuses entirely on the practical implementation.

1. What are Value Chains?

Attention

Definition: Value Chain

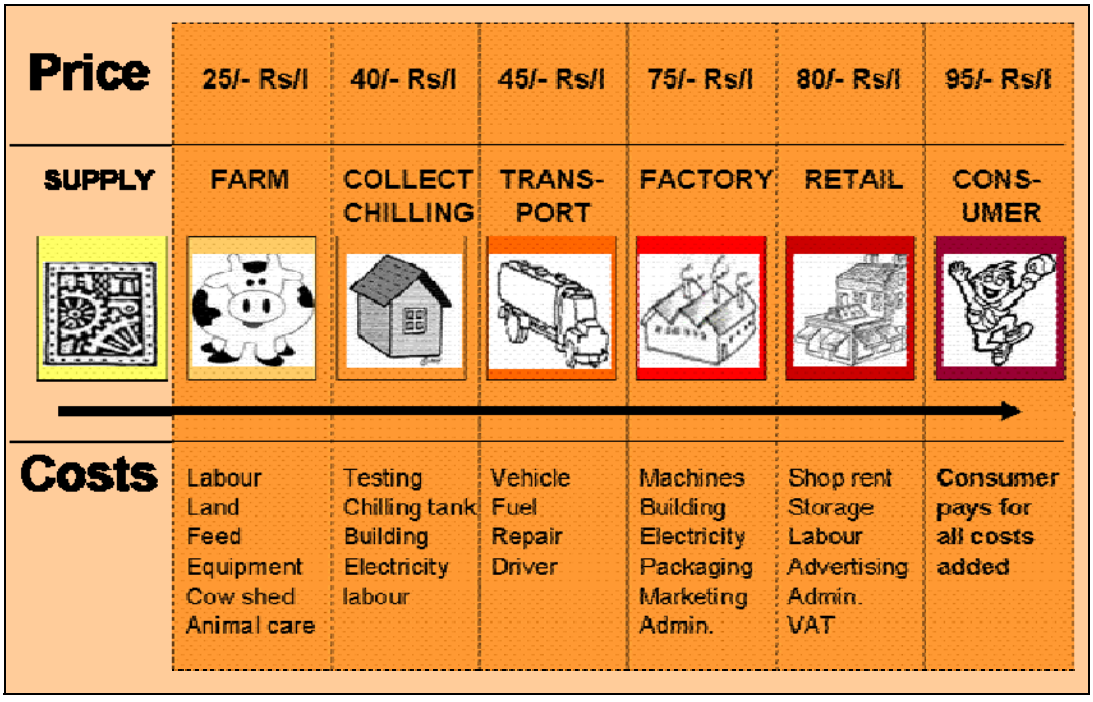
A value chain is a sequence of target-oriented combinations of production factors that create a marketable product or service from its conception to the final consumption.

This includes activities such as design, production, marketing, distribution and support services up to the final consumer. The activities that comprise a value chain can be contained within a single firm or divided among different firms, as well as within a single geographical location or spread over wider areas.

Source: ILO (2006): An ILO guide for value chain analysis and upgrading, Geneva.

Terminology: The term Value Chain refers to the fact that value is added to preliminary products through the combination with other resources (for example tools, manpower, knowledge and skills, other raw materials or preliminary products). As the product passes through several stages of the value chain, the value of the product increases. This is illustrated by the following figure:

Figure 1.1: Value Chain for Dairy products (product: 1 litre ultra heated fresh milk package)

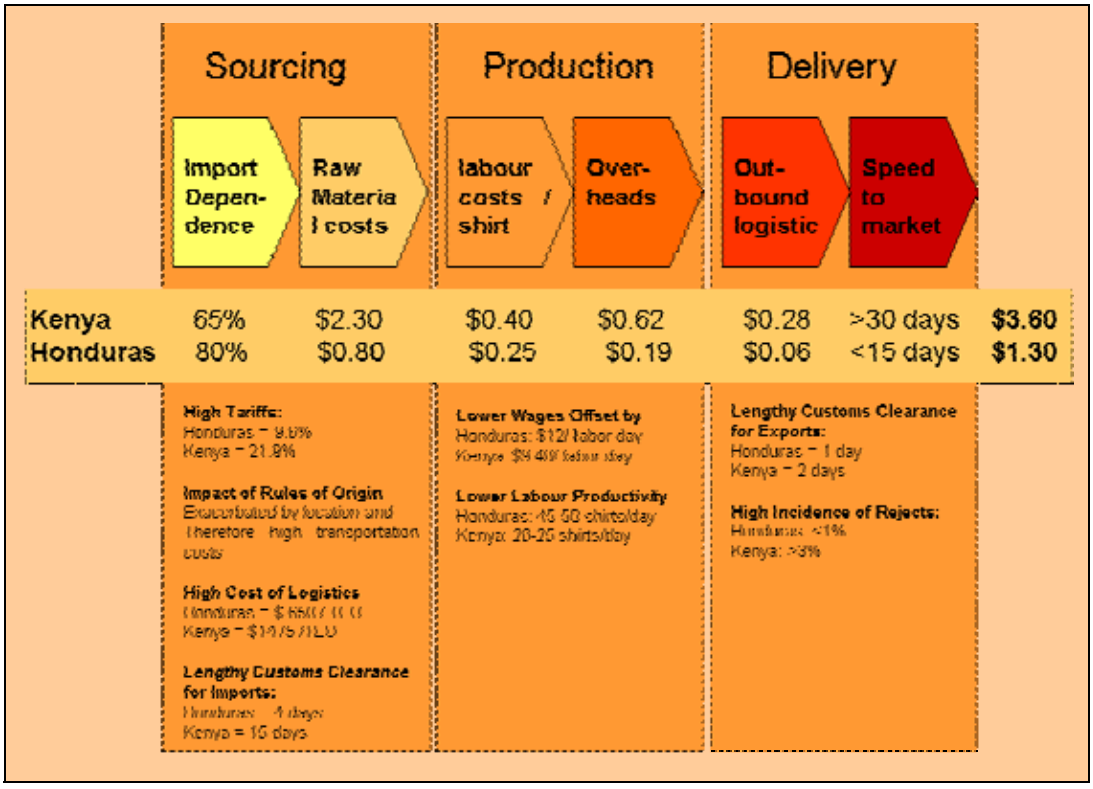


2. Why is it important to understand value chains?

Value chain development is all about making the consumer/customer at the end of the chain happy – as in the *Figure 1.1* above. If enterprises cannot satisfy the needs (or requirements, preferences, desires) of their buyers, the buyers will sooner or later turn to another supplier. Value chain development is therefore a market-oriented approach. All activities of a particular chain are directed towards the market.

It is therefore important to understand that all stakeholders along a particular value chain need to cooperate and coordinate their activities to satisfy the needs of the end consumer. If there is one weak link in the chain, the competitiveness of the overall value chain is endangered. This is especially true in a business environment in which local enterprises increasingly compete with foreign companies not only on the national market, but also and especially for export markets. We need to understand that not individual enterprises compete with each other, but entire value chains. *Figure 1.2* provides an example.

Figure 1.2: Costs per T-Shirt – a comparison between Kenya and Honduras



Source: Presentation by Uma Subramanian, FIAS, in Vienna to Donor Committee Working Group on Linkages and Value Chains, 2006

It is clear from the example above, that buyers will be more inclined to buy T-shirts from Honduras, rather than from Kenya. The T-shirt value chain from Honduras therefore directly competes with the T-shirt value chain from Kenya. The same

applies for example to the competing tea value chains from Sri Lanka, Vietnam and India. They all compete for consumers – for example, in Germany.

The example also shows that not only enterprise-internal factors (such as labour costs and productivity) matter to make a sector more competitive, but also factors related to the business environment: duration of customs clearance, tariffs on imports, administrative procedures etc.

Your notes

3. The target: *LOCAL* value chain development

Value Chain Development is in the meanwhile used as a technical approach by many international development agencies. In Sri Lanka, the *GTZ Value Chain Promotion Component* is the most prominent and successful example.[1] However, the approach is mostly used for regional or national development of particular sectors – only rarely for local (or rural) economies and sectors. This guide intends to fill the gap.

Attention

The target of a *Local Value Chain Development* **(Local-VCD)** project divides itself into a primary and secondary target:

Primary target: integrating the local sector

*The primary target is to improve the integration and position of **local** enterprises into a particular value chain.* Local-VCD is a *local* initiative aiming at improving the competitiveness and market integration of a local sector.

However, by linking up local enterprises to the national economy, larger business stakeholders at the upper end of the chain will ultimately benefit from an improved supply basis. Or the other way round: supply companies will benefit from an improved local market to sell their input products and services (see example in *Box 1.2*).

Secondary target: developing other value chain levels

The development of value chain levels which are not part of the local economy (e.g. national-level retailers and exporters) is only a *secondary target.*

Whether or not you will be able to also address these levels, is determined by your resources and the outreach/influence of your organisation. Certainly, improving the situation of national retailers and exporters will ultimately benefit the local sector, but the idea behind Local-VCD is to focus on immediate solutions and solutions which local stakeholders themselves can also implement.

*More important than improving the particular situation of value chain levels outside of the local economy is **the relationship between them and your local target sector**:* Always keep in mind: value chain development is all about improving cooperation and coordination along the value chain (see next section 4).

[1] For information contact: GTZ VCP office: +94 11 473502. Dr. Peter Richter (Senior Advisor) has been project manager until recently – email: richter@sltnet.lk. A new manager is currently being appointed.

Example

Box 1.1: Example from a Local-VCD project on the vegetable sector in Sri Lanka[2]

During a Local-VCD exercise in Kalpitiya on the vegetables sector, long custom clearance times at the airport were identified as a major constraint towards export of perishable products (such as fruits and vegetables). This is a concern of *national* importance. It concerns mainly exporters who are located in the Colombo area and source fruits and vegetables from all over the island.

Nevertheless, the project manager who was in charge of the Kalpitiya Local-VCD exercise tried his best to gather further information on clearance times and quantity of daily turn-over of fruits and vegetables at the airport. He also tried to contact responsible authorities to make them aware of the problem. Nothing has happened despite all the efforts. The *local* initiative proved to be too weak to address issues of *national* importance.

The above example shows that you need to carefully trade off the options available to you. Value chain issues of national importance should only be approached if you possess the resources and the backing of influential stakeholders. You should however also keep in mind that the solution for local sector upgrading often is found outside of the local economy, as the example in *Box 1.2* shows. In other words, distinguishing between primary (local) and secondary (national) target is often not so easy when it comes to value chain development. Nevertheless, you should always keep in mind who's situation your are trying to improve.

Example

Box 1.2: Upgrading productivity of local farmers with the help of a supply company in Bangladesh

The problem

The performance of Bangladesh's important vegetable sector is undermined by very low productivity at farm-level. As a result income is very and poverty rates high. KATALYST, a multi-agency development project, initially started by focussing on farmers of the Rangpur district.

The intervention

KATALYST conducted a value chain analysis, under which it specifically looked at sources from which farmers get information about how to use fertilizers and pesticides, how to grow and harvest vegetables, etc. Apart from sharing

[2] Contact Mr. Haritha Wedathanthi (District Programme Manager, ILO Enter-Growth) for further information on this case: hw@entergrowth.com. A similar experience has been made with the tourism sector in Anuradhapura – contact Mr. Nihal Devagiri (District Programme Manager, ILO Enter-Growth): dv@entergrowth.com,

information amongst each other and other sources (extension services, media, NGOs etc), supply retailers were identified as a major source of information. It was concluded that an intervention should target knowledge and information services embedded within the value chain as a means of addressing the productivity problem.

KATALYST then set out to look for a partner and found it in SYNGENTA, a large supply company for agricultural inputs (fertilisers, pesticides etc.). Under a mutual agreement, costs were shared for the development and delivery of a 3-day residential training programme for retailers on a range of generic and product-specific issues, reflecting both wider development as well as narrow commercial goals. KATALYST made significant technical inputs on training content and process, but the organisation and delivery of training – the main part of the project – was managed directly by SYNGENTA.

The outcome

480 supply retailers, 20% of all Rangpur retailers and serving approximately 200-350,000 farmers, were trained over a 2-year period. Costs for the training were shared between SYNGENTA and KATALYST 60:40. As a result of the intervention,

- *Farmers'* perception of their experience with retailers' service has improved;
- *Retailers* have greater self-confidence, place more emphasis on advice and information, have better customer relations and, in most cases, increased sales;
- *SYNGENTA's sales* have grown 3 to 4 times faster than in other regions. The strategic importance of knowledge and information in the supply-chain has been re-emphasised. SYNGENTA plans to invest in retailer training throughout the country;
- *Other input suppliers*, who have often lost out competitively in the short-term, are now showing positive signs of interest in retailer training. This is the critical issue – "crowding in" - in determining wider market change.

Source: KATALYST, 2006: Bringing knowledge to vegetable farmers. The case study can be downloaded from www.katalystbd.com/downloads .

The question is: *What can local stakeholders do, to make their sector more competitive and integrate it into value chains and markets?* The two following assumptions are made as an important addition:

The consumer is king! The market has very specific requirements that are often not known to local stakeholders (especially with regard to export markets). Hence, their inability to compete. Unless local enterprises will meet market requirements, national and especially international markets will always remain closed to them. Therefore the compliance with market requirements

and demand conditions is an important pre-condition for local enterprises and sectors to successfully integrate themselves into markets and become more competitive.

The main aim of the Local-VCD project therefore is to find out a) *what* these market requirements are, b) *whether* local business stakeholders comply with them, c) *why* they do not comply and d) *how* they could meet these requirements.

!
Attention

Definition: Market requirements demand conditions

Direct market requirements are set by the buyers. The buyer determines product quality and specifications for which he is willing to invest a certain amount of money. Such immediate market requirements include: price, quality, delivery time, design, quantity, reliability, flexibility, grading of products into categories etc. The exact requirements vary from sector to sector and are subject to negotiations between buyer and seller.

There are however market requirements which are not necessarily subject to direct negotiations between buyer and seller, which include for example formal standards and certifications for specific sectors (HACCP, GAP, GMP, ISO norms, health standards etc.), international sectoral trade agreements, social and environmental standards (no child labour, fair trade, non-toxic inputs, corporate social responsibility etc.), etc. *Many of these indirect market requirements are set through macro-economic policies or are demanded by the end consumer.*

Demand conditions are characterised by consumer trends (for example in fashion or taste), seasons (for example in tourism or clothing retail), consumer needs etc. Usually medium and large retail companies and producers of consumer goods would conduct market surveys to analyse demand conditions. This market survey would then enable them to design a product/service that meets consumer demand and therefore has market potential.

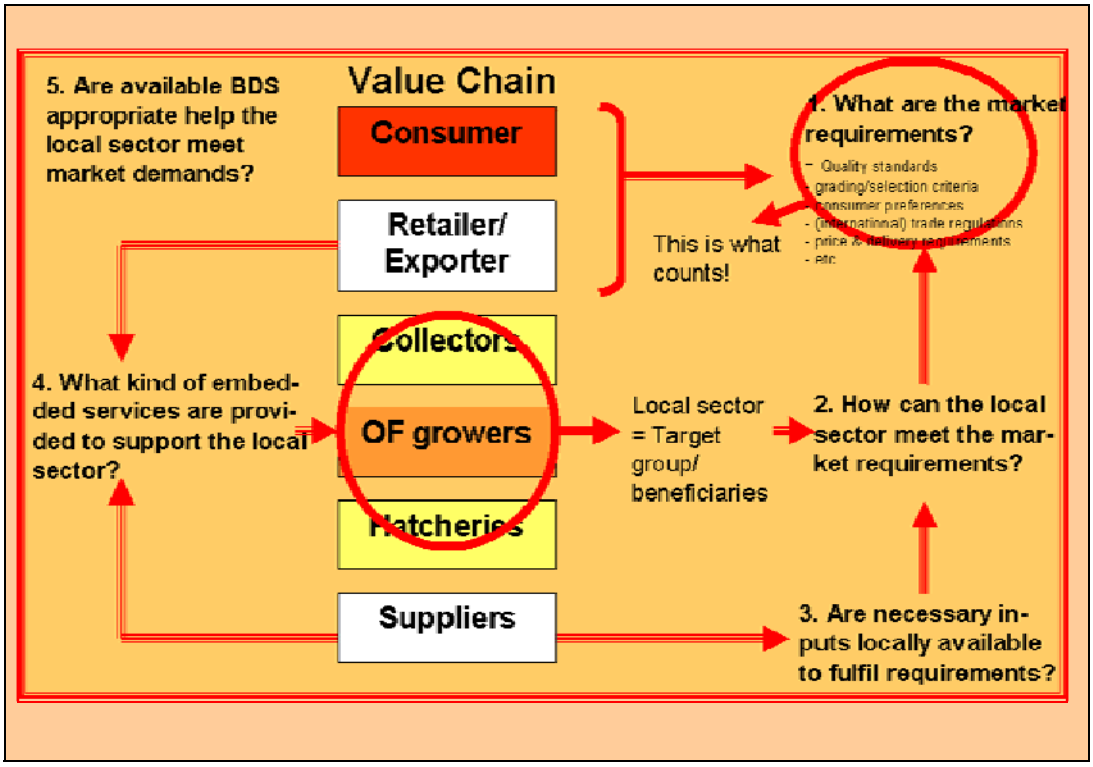
The local target sector competes against other local competitors!

The Local-VCD project aims at putting the local sector in a better position compared to competitors. These competitors often would be located in different regions in the same country. For example: Ornamental fish growers in Polonnaruwa compete with growers in Anuradhapura, Negombo and other districts in Sri Lanka.

Your primary target sector is *only* your local sector – not the same sectors in other regions of the country! This will also ensure local support.

A Local-VCD project looks at the role of a local sector within a value chain. *Figure 1.3* below summarises the main questions which are relevant for Local-VCD.

Figure 1.3: Main questions for Local-VCD (example from ornamental fish value chain)



4. The means: five triggers of value chain development

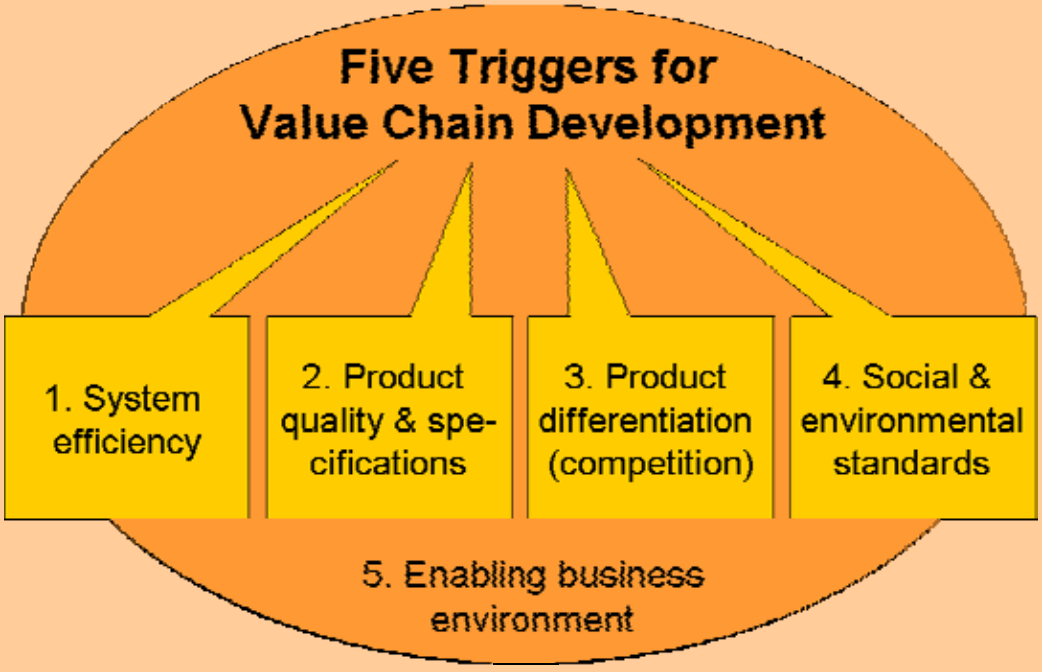
The target is to improve the competitiveness of a local sector within a particular value chain. However, as the example in *Box 1.2* has shown, value chain development as such includes other stakeholders as well, who are not necessarily located in your local economy. Though you are working on a local level, you need to understand that your target sector is part of a wider game and that its fate is bound to markets outside the immediate local environment.

In other words: To reach the end consumer outside of the local market, small and medium enterprises in most cases need to go through other business stakeholders. If therefore market access and competitiveness is to be improved, the other business stakeholders need to be included.

!
Attention

Definition: Value Chain Development

By "Value Chain Development" we mean an improvement of cooperation between stakeholders of a particular sector and the coordination of their activities along different levels of a value chain with regard to the following "five triggers". The ultimate goal is to increase the competitiveness of this sector on the (international) market.



The five triggers are the means by which to achieve local value chain development. Using them as a methodological framework helps to identify opportunities and constraints to making the local target sector more competitive and integrate it more effectively into value chains and markets. The five triggers are explained in the following section.

1 System Efficiency

4.1 System efficiency

Definition: Efficiency

In general economic efficiency describes the *way* in which a given target is achieved and the costs that are related to this process. It has two aspects:

1. *Productive efficiency* describes the ratio between costs and benefits (or inputs and output) of certain productive activities with regard to specified targets. The less costs are needed to achieve a target, the more efficient the production process is.

2. *Allocate efficiency* is characterised by the degree as to which supply meets consumer demand and a tendency of market prices going towards long-term marginal costs (means costs per unit).

Opportunities exist to lower costs and increase efficiencies in the market if value chain stakeholders work together. Buyers want to buy products at the lowest possible price at the highest possible quality; they want quick and flexible responses to their orders and short delivery times. In order to achieve these market requirements all opportunities for increasing system efficiency need to be explored – and this requires cooperation and coordination of activities amongst value chain stakeholders.

SMEs mostly face difficulties in applying efficiency criteria to their business operations: usually they are part of very extensive value chains with many intermediaries adding high costs and resulting in economic waste; they cannot achieve economies of scale, because they are not organised properly and production is on a small-scale and often scattered throughout a larger area; they are too small to appear on the map of large buyers; they have no access to information about market requirements or knowledge about new technologies and production methods.

We therefore need to look at how stakeholders communicate with each other; their relationship to each other; where in the chain it comes to unnecessary delays and costs; how information and knowledge is passed down the chain; what kind of services are provided within the chain; the role of every value chain stakeholder; how reliable and flexible stakeholders react to orders etc.

2 Product Quality

4.2 Product quality and specifications

Markets today are changing fast and competition is becoming increasingly fierce. If enterprises want to stay in the market, they need to make sure that their products and services meet continuously changing market requirements and demand conditions. *What counts, is the end product that the consumer receives, and the level of satisfaction that it creates.*

Apart from looking at *how* market requirements and demand conditions can be fulfilled, we also need to know exactly, *what* des requirements and conditions are!

Are there any international standards that we need to observe, when we enter into export markets with a particular product (e.g. ISO norms, Health standards such as HACCP, Good Agricultural Practices (GAP) or Good Manufacturing Practices (GMP))? Does the product comply with these standards?

What are the demand conditions with regard to product quality, design and price? Does our product fulfil the buyers' demand? How do we present our product? What kind of packaging do we use? Do we provide sufficient customer service along with a product that we sell? These are some of the questions that we need to look at when it comes to product quality and specifications, *because if we don't meet the market requirements, some one else will do that!*

Looking particularly at the food industry, there is an opportunity to produce the safest food in the world when producers, processors and retailers track products through the food chain. *Product traceability is nowadays critical.* Traceability is only possible through improved cooperation amongst value chain stakeholders and coordination of their activities – means: through value chain development. Premiums also exist for consistently high quality produced and processed food products.

3 Product Differentiation

4.3 Product differentiation (competition)

Consumers are always demanding new products that require value chain partners to share information and systems or provide unique specialised inputs (e.g. special varieties, trademarked processes, unique genetics, etc). These products often require consistently high quality, proof of adherence to protocols and legislated standards throughout the production, processing and marketing channels.

The better stakeholders cooperate along the value chain and coordinate their activities, the harder it will get for competitors to copy the product and the production process – because its not just the product they need to copy, but the entire system. It is therefore crucial to know *who* your competitors are, *what* they are doing and *how* they are doing it. What is the price of their product on the market? How are they perceived by the buyers compared to your local target sector? What is your local competitive advantage? And how can you use this competitive advantage to increase the market share of your local sector?

Remaining competitive on the market requires continuous innovation. The product quality, design and specifications need to be updated; the production process, technology and methods should be upgraded; new raw materials and input factors can be used to produce a product in a new quality; new markets are there to be discovered; local enterprises can add value by taking in the next step in the value chain.

All this requires research and development, good business development services (BDS) and government extension services. NGOs and development agencies can also play a useful role in this regard. *Public Private Partnership* is essential to help SMEs develop differentiated products that are able to compete with others on the market.

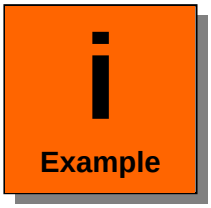
4 Social Standards

4.4 Improve social and environmental standards

Consumers are increasingly becoming more conscious of social and environmental standards and are increasingly demanding products that fulfil these requirements. Large retail companies in Europe and America, for example, have come under pressure from media, NGOs and consumer associations to abolish child labour and labour exploitation along their supply chains. The "green revolution" sees consumers increasingly demanding organic products and consumer goods that ensure high environmental standards (for example furniture, which needs to be from certified foresting wood). If they ignore this demand, they will simply loose the market to those competitors who do comply with social and environmental standards.

The excuse for not introducing good labour practices is mostly that they cost money. This is only partially true: some investments are certainly necessary, but the benefits outweigh the costs. Having good labour standards in a company does not only improve the image (thus ensuring that socially and environmentally conscious consumers buy the product) but it also increases labour productivity. Well-treated, healthy, trained and good paid employees tend to have a higher loyalty towards the company and are more motivated to work hard and contribute to the success of the overall business.

An example from India shows, how even SMEs can benefit from better labour practices without much costs:



Box 1.1: Improving labour standards in the brassware sector in Moradabad, India

The Moradabad brassware sector in India is known to produce very skillful brass products that are also exported to distant markets, for example in Europe. Many of the enterprises operating in the sector are micro and small enterprises and mostly informal.

The working conditions for the workers are miserable: smoke from the fireplaces in which the brass is melted fills the small rooms in which not seldom several workers would not only work during the day, but also sleep in the nights. The air is full of dust that comes from grinding the brass. The workers would often work in uncomfortable positions on the floor. As a consequence, many workers fall sick and have to stay away from work without income. Adding to this is the fact that the bad work environment prevents workers to produce larger quantities of brassware products.

An ILO project aiming at upgrading the Moradabad brassware sector, has managed to convince some entrepreneurs to improve the working conditions for their labour force: smoke chimneys and dust collectors have been installed, work benches with fixated grinding machines enable a more secure and healthier working position and the previously dark rooms were lightened up. As a consequence, productivity has increased significantly in the enterprises that have introduced these improvements.

Source: Herr (2006): A Guide for Value Chain Analysis and Upgrading, ILO, Geneva. For further information contact: Roel Hakemulder (rh@entergrowth.com) or Gopal Joshi (joshi@ilo.org)

5
Business Environment

4.5 Business environment

Every value chain and every enterprise operates in a business environment that consists of mainly two dimensions:

Immediate environment

The *immediate environment* which is determined by the market conditions, existing regulations and administrative procedures and interventions carried out by public service providers or development agencies – all of which directly interact with the enterprise and affect its performance.

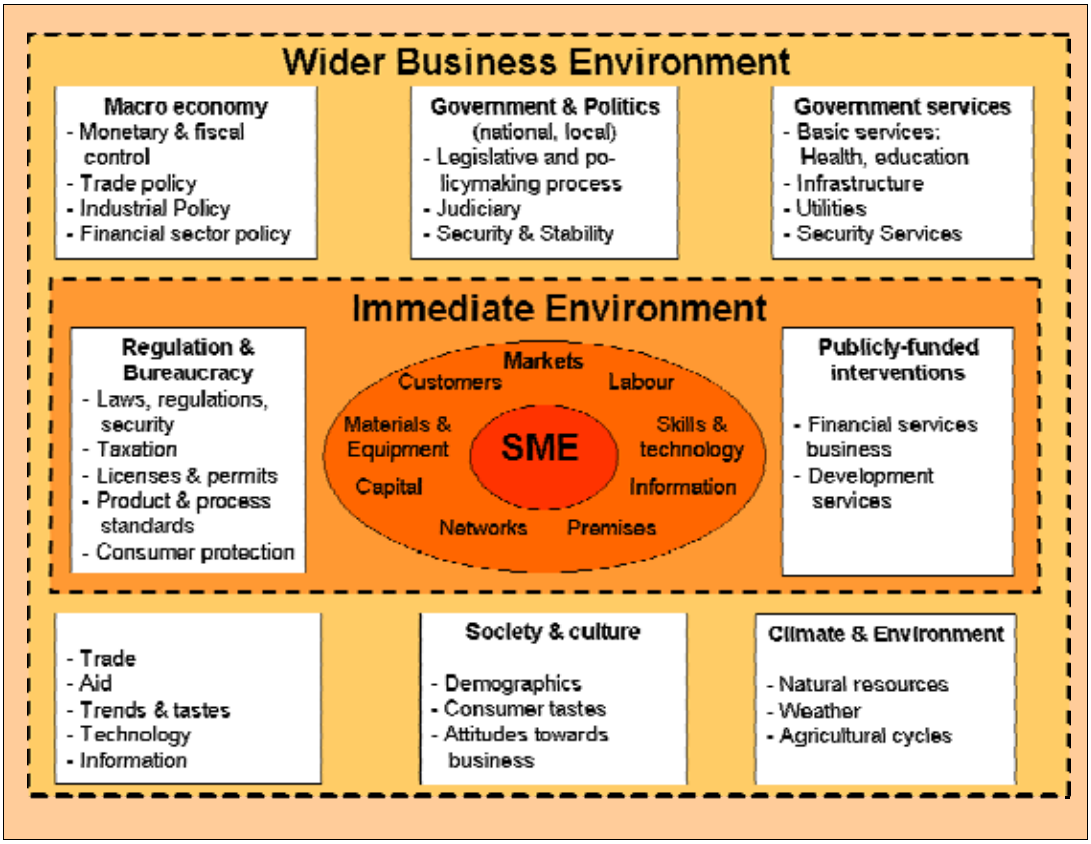
Wider environment

The *wider environment*, which does not directly interact with SMEs, but certainly has a great influence on their ability to compete on (international) markets.

The wider environment would include for example monetary and fiscal policies that determine stability of prices and the availability of low-interest credits; school education and vocational training which lays the foundation for a national economy to develop itself and compete with other countries; infrastructure which greatly influences the availability of production factors, delivery times and costs.

These two dimensions of the business environment are illustrated in *Figure 1.3* below.

Figure 1.4: Dimensions of the business environment



Source: The Springfield Centre (www.springfieldcentre.com), Rob Hitchens, 2001. Here taken from: Asian Development Bank-GFA Management-Swiss Contact, Asian Development Bank SME Development TA: Policy Discussion Papers 2001/2002: Best Practice in Creating a Conducive Environment for SME, Policy Disc. Paper No.1, June 2001.

Information

5. Further reading

Box 1.3: References for literature on value chain development

Literature:

- Hubert Schmitz (2005): Value Chain Analysis for Policy Makers and Practitioners, International Labour Office, Geneva
- ILO (2006): A Guide for Value Chain Analysis and Upgrading, International Labour Office, Geneva.

Websites:

- Institute for Development Studies: www.globalvaluechains.org
- Agriculture and food council of Alberta: www.agfoodcouncil.com/initiatives/value-chains.aspx
- Local economic development, ILO: http://www.ilo.org/empent

Part II: The *How* of Local-VCD

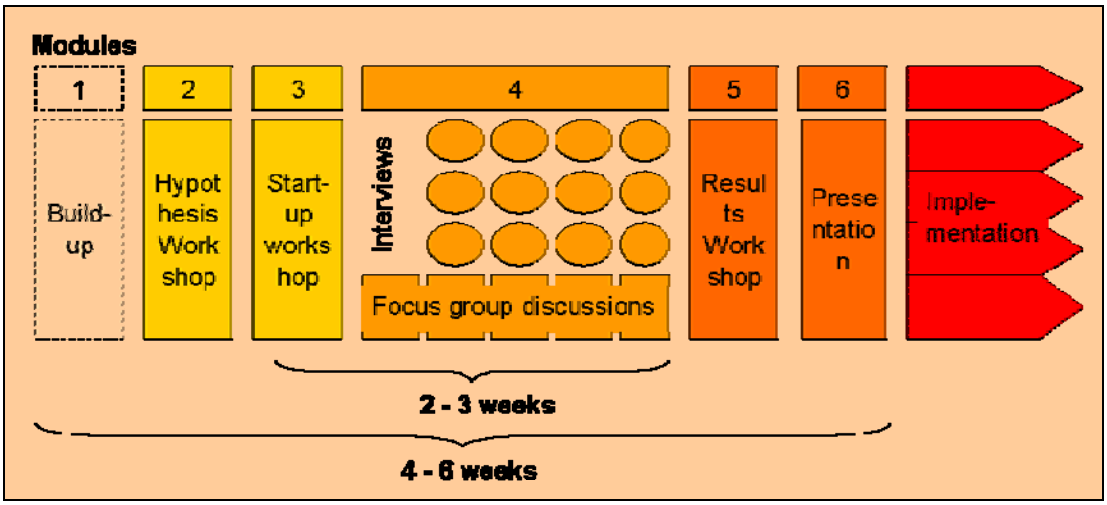
The project approach described in this guide builds on a methodology for Local Competitive Advantage developed by *Mesopartner* (PACA, see www.mesopartner.com). For a particular reason, the name has been changed to LOCA in Sri Lanka. The LOCA guide can serve as a useful complementary to this Local-VCD guide.

Whereas the sequence of activities and workshops is the same, there are on the other hand some substantial differences:

- Local-VCD is a sector specific approach, means: contrary to LOCA, it focuses only on one single sector in a local environment.
- The analysis is therefore more in-depth and targets not *only* short-term results, but also a strategic (more long-term) re-orientation of the target-sector towards improved competitiveness and market integration.
- Local-VCD looks beyond local boundaries: It looks at how local SMEs are integrated into value chains and aims at improving the competitiveness of the entire chain focussing on one particular (weak) link.

Similar to the LOCA exercise, the Local-VCD project consists of 6 modules plus the implementation of the outcomes. This is illustrated in *Figure 2.1* and described in detail in the following sections.

Figure 1: Modules of the Local-VCD project process



Adapted from the LOCA guide, Mesopartner

Module 1

Module 1: Build-up (Initial Research)



1.1 What is a 'Build-up'?

! Attention

The *Build-up phase* is the first module within the Local-VCD project (see *Figure 2.1* above). You should take up to two weeks time to achieve the following objectives:

Local-VCD Team	Putting together a support team consisting of stakeholders from the target sector.
Initial Data and information	Collecting initial information and secondary data relevant to the target sector.
Value Chain Map	Mapping the value chain and identifying private sector key stakeholders and relevant public and private Business Development Services (BDS) along the value chain.

This guide uses a systematic approach by the end of which an *Action Plan* will be presented to the sector stakeholders. This *Action Plan* will be developed step-by-step within the following 6 modules of the Local-VCD project. *Table 3.1* gives you an idea of how the plan should be organised.

During the *Build-up* stage you would fill out columns 1 and 2and gather additional information to lay a foundation for further research and analysis in the next modules. It is suggested to make a large wallpaper on to which the *Action Plan* can be posted with cards during the course of the project. An example of a completed *Action Plan* is given in *Module 5* "Results Workshop".

Table 1.1: Action Plan

1	2	3	4	5	6	7	8	9
Business Development Services	Value chain (key stakeholders)	Weaknesses and opportunities	Causes for weaknesses	Proposals to address weaknesses	Activities	Implementing organisation	Time frame	Expected outcome
	Consumer							
BDS, SBAs…	Retailers							
BDS, SBAs…	Wholesalers							
BDS, SBAs…	Producer							
BDS, SBAs…	Collector							
BDS, SBAs…	Farmers							
BDS, SBAs…	Suppliers							

Build-up phase

1.2 Why do a Build-up?

The *Build-up* stage is essential in several ways:

1. The initial research will help to *understand the potential of the sector* and facilitate a final decision on whether the selected sector has been a good choice for a Local-VCD project and whether to continue. Already the selection of a sector is a decisive success factor for a Local-VCD project. It needs to be done with care.

2. *The identification of key stakeholders* is an important starting point. Once key stakeholders have been identified, they can help to establish contacts to further stakeholders. This underlines the importance of having stakeholders from the target sector in the support team and also using a participatory approach. Team building is therefore one of the most important aspects at this stage.

3. The information collected in the Build-up stage will *provide an important basis when conducting interviews and focus group discussions with larger stakeholders* along the value chain. If these stakeholders are approached without information about market size and potentials, it will be difficult to get their support.

4. *Public and private business service providers* are important partners when it comes to the implementation of proposals. Therefore they should be identified at an early stage of the project and initial contacts should be made.

1.3 How to do a Build-up?

The following section will give you instructions on how to assemble a project team, how to map the value chain of your target sector and what kind of initial data you need to collect during the Build-up of your Local-VCD project.

1.3.1 Local-VCD Team

The team which carries out the project as described in this guide ideally consists of the following members:

Team leader — A *team leader* who is knowledgeable and has experience in Value Chain Development and Local Economic Development and possesses strong leadership characteristics.

Core team — A *core team* of 2-5 persons who are trained in the Local-VCD methodology and who can independently carry out interviews and workshops, collect relevant data and find solutions. These team members could be from private/public business service providers or other development agencies/NGOs. Local government authorities usually have departments dealing with SME development – these would be ideal partners. The core team members can be recruited for different Local-VCD projects on different sectors.

Support team — A *support team* of another 3-5 persons from within the local target sector. These persons do not need to be trained in the Local-VCD methodology. Their asset for the project lies in intimate knowledge about the target sector itself and their contacts to key stakeholders. The support team is recruited only for a particular Local-VCD project on a particular sector.

Note that it is important that the persons in you support and core team actively participate throughout the entire Local-VCD project. Delegate the work and make sure that it is the same persons that participate. Consistency is essential in order to secure good results!

Tool

1.3.2 Mapping the value chain and identifying private sector stakeholders

Definition

Mapping means giving visual representation business actors along the value chain and the connection between them, illustrating the entire production (or service-delivery) process from the beginning (raw materials, conception, design, input supply etc.) to the final consumer.

The initial purpose of the mapping exercise is to identify the key value chain stakeholders that are connected to the local target-sector. It also helps to understand which business channels exist to sell a product (or service) on the market. To know these channels has important implications for the proposals: they can now be much more specific and market oriented.

Annex 1 provides some examples of different value chain maps created in Local-VCD projects in Sri Lanka. It becomes clear that there is no single answer to different sectors: every sector has a different value chain, which has to be illustrated also in a different way. This guide therefore proposes two different mapping approaches:

Integrated Value Chain Map

The integrated map is part of the Action Plan and simply illustrates the different levels of a value chain (*Table 1.1*, column 2). Under the name for the level (e.g. 'Exporters') you would fill in the names and contact details of respective stakeholders. Along this value chain, column 1 gives the names of relevant business development services (BDS) along the chain.

This value chain map will be given priority in this manual, as it can easily be integrated as part of a action-oriented plan.

Separate Value Chain Maps

Annex 1 explains two alternative value chain maps. These can be used as a useful complement to the integrated map, if you want to illustrate further details of the value chain of your target sector. Additionally to the different levels in the value chain, *these maps illustrate the number of target markets, the different channels into which local enterprises feed, as well as business support services along the chain.*

Checklist

Checklist1.1: Preparation of the mapping exercise

No.	Task	Completed		Remarks
		Yes	No	
1	Conduct a meeting with your core team in advance to discuss the coming Local-VCD procedure (dates, deadlines, availabilities & responsibilities etc.)			
2	Invite 2-5 stakeholders from your target sector to join the mapping exercise (they could further act as *support team*) – the exercise should not take longer than 2 hours – depending on which kind of map you want.			
3	Materials needed: Cards (about 12.5 x 22.5 cm, preferably different colours), Wallpaper, pins, tape, markers, flipchart, 2 pin boards. See also *Box 2.1* below.			
4	Prepare a short introduction about a) the target-sector, b) what are value chains and why they are important c) the Local-VCD procedure.			
5	Print-outs of mapping template (*Figure 1.1*)			

The following instructions help you to construct a very simple value chain map, which can be integrated into your *Action Plan*. Use these steps in your mapping exercise together with your core and support team. It should take you no longer than two hours. Alternatively to the template given in *Figure 1.1*, you can also use a pin board and cards to do the mapping exercise.

Step 1 Start by identifying the end product (or service) that will be going to consumers. Write down the name(s) of the product(s) as well as the target market(s) into the first box in *Figure 1.1* below.

Step 2 Once you have identified the end product(s) and market(s), ask "What happens to the product (or service) right before it gets here?" Write this answer into the next box in *Figure 1.1* ('level 7'). Repeat this question until all the levels in the production (or service-delivery) process have been captured.

Examples for value chain levels would be distribution, marketing and packaging, transportation, processing, collection, farming, input supplies.

Note that you have to simplify the process by grouping related activities under one level (for example heating, flavouring, cooling, packaging, etc. under "chocolate production"), and by drawing a line which limits the value chain to a certain number of levels and location (suppliers for example have their separate value chain, and should therefore simply be grouped under the label "suppliers", otherwise your value chain map will become too complex to work with).

Step 3 Now look at all your value chain and identify what enterprises and companies are involved in each level. Write down all the names that come into your mind into the open space in *Figure 1.1* below. It might be best to start with stakeholders who are closest to the local market.

It is important to be as specific as possible. If contact persons and addresses are known, then add them to the name of the enterprise. Examples are given in the Figure below. Try to find names for every level of the value chain.

Note that you will not be able to immediately come up with a number of names for every level at this stage. The names gathered here, are just a start and you will definitely come across more during the course of your Local-VCD project. However, you will need some names to start with, which underlines the importance of having 2-5 stakeholders from within the sector joining the mapping exercise. These persons should also be part of your support team.

Step 4 In step 2 you have identified mainly private sector stakeholders who are directly involved in the value chain as business stakeholders. Now you need to consider all available business support services at different levels of the value chain.

Start with the local level in the value chain. For example, ask: "What kind of business support services are available for dairy farmers?" Repeat this question for every level in the value chain and not down the answers into the open space in *Figure 1.1.*

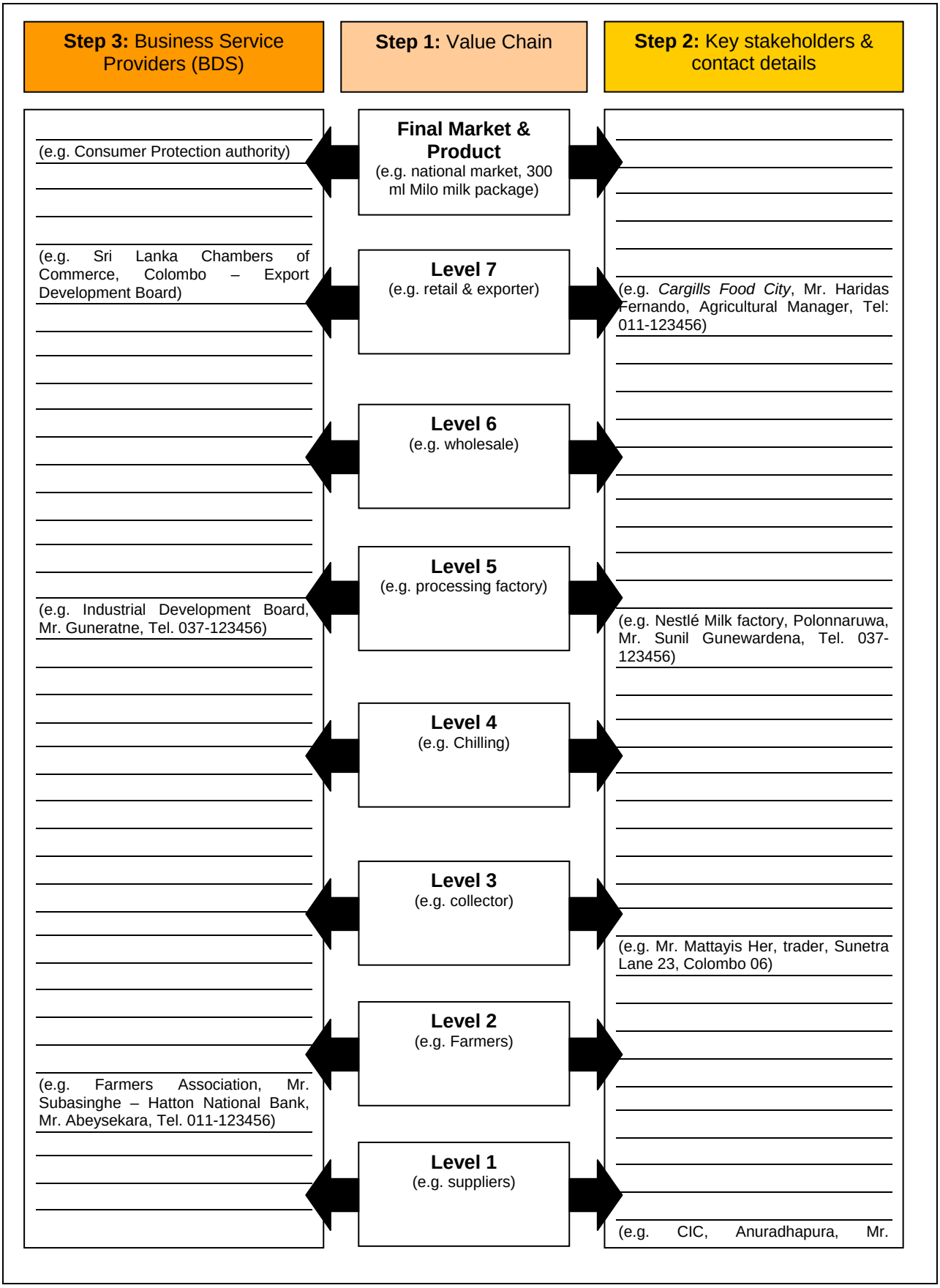
Note that the term "business support services" is not defined exactly on purpose. Business support services could be government extension services (e.g. of the agricultural department), public service providers (such as the export or industrial development board), private business service providers (specialised consultancy firms, training providers, technical support, marketing companies etc.), public and private training and research and development institutions, etc.

You will further notice that some service providers cannot be confined to one particular level in the value chain, but rather provide services to stakeholders at different levels. This is especially the case for industry/sector-specific organisations (e.g. Association for Small and Medium Enterprises in Tourism

(ASMET) or Sri Lanka Spice Council).

Step 5 Once you have completed step 1 to 3, take your *Action Plan* matrix and fill in column 1 and to as high-lightened in *Table 1.1*. Write the name of the key stakeholders (step 2) together with their respective levels into column 2.

Figure 1.1: Template for value chain mapping



1.3.3 Collecting initial data on the target sector

Once you have completed you mapping exercise, you will have to decide on what data and information needs to be collected before the *Start-up workshop* (*Module 3*). Discuss with your team (core and support) the necessary data to be collected as well as responsibilities. This data and information will help you a) to verify the selection of the sector as appropriate, and b) form a basis on which larger value chain stakeholders can be approached.

The information and data to be collected will initially focus on the local sector (means: the enterprises of the target sector operating in your project area, which will probably belong to a particular level in the value chain – e.g. dairy farmers). However, some national data on the overall sector is also useful.

The following checklist gives you an idea of what kind of data and information might be useful:



Checklist 1.2: Collection of initial data

No.	Information	Available		Remarks
		Yes	No	
Local sector				
1	Size of the local sector (numbers of businesses, contribution to income and employment)			
2	Development of the local sector (growth/decline over past few years)			
3	Type of businesses (or sub-sectors) available at local level (e.g. farming, processing, packaging etc.)			
4	Size of enterprises in the local sector (how many large, medium and small enterprises?)			
5	Income level (maybe distinguishing between the entrepreneur and his employees) – poverty level			
6	Sector-specific information: required inputs/supply, major markets, cost structure			
7	Some initial qualitative information: labour conditions, motivation of stakeholders, etc.			
8	Small business associations (SBAs) and other forms of local business organisations			
National sector				

No.	Information	Available		Remarks
		Yes	No	
6	Contribution to GDP and employment			
7	Export contribution and foreign market destinations			
8	Growth/decline over past years			
9	Sector specific imports (input factors)			
10	Foreign direct investment to the sector (foreign ownership and relationship to international market players)			

Note that in order to convince larger value chain stakeholders to support the Local-VCD project, you need to make the local sector interesting for them as a potential market or supply source. For this reason, you need information about size, growth and type of enterprises of the local sector.

Checklist

1.4 Final Checklist

The following checklist helps you to prepare for the Local-VCD Build-up and achieve your objectives.

No.	Task	Completed		Remarks
		Yes	No	
1	Have you completed your Value Chain Map(s) as described in this module?			
2	Have you visited (or spoken to) key stakeholders for an initial assessment and to get their support?			
3	Have you invited local key stakeholders and other important personalities to the start-up event (module 3)?			
4	Have you collected initial (secondary) data of your target sector?			
5	Have you gathered a project team consisting of stakeholders from the target sector (support team) and Local-VCD trained persons (core team)?			

Module 2

Module 2: Hypothesis workshop



2.1 What is a Hypothesis Workshop?

! Attention

The *Hypothesis Workshop* is the second module in our Local-VCD project. It is an internal team meeting (core *and* supporting team) at which the following objectives are achieved:

Align team understanding of Local-VCD objectives

It needs to be ensured that the objectives are clear to every team member. The workshop will therefore start with a short introduction to value chain development (see Part I of this guide) and emphasise the importance of the local sector as beneficiary of the Local-VCD project.

Refining the value chain map:

During the Build-up, an initial map of the value chain has been prepared. During your initial research you might however realised that certain changes and additions are necessary. Therefore the value chain map will be presented again and discussed amongst the team.

Expression of team expectations towards the Local-VCD outcomes:

This is the most important part and main objective of the Hypothesis workshop, which is identical to the LOCA methodology (see LOCA guide). Every team member will express his/her expectations towards opportunities and weaknesses of particular levels in the value chain as well

as expected proposals to address these weaknesses.

Planning the next steps in the Local-VCD project: The Hypothesis workshop is the last team-internal meeting before the Start-up workshop (next module) at which the project finally goes public. The following steps therefore need to be planned with care in the team.

With regard to your *Action plan*, the hypothesis workshop will revise column 1 and 2 and make assumptions on expected outcomes for column 3 (weaknesses and opportunities) and 5 (proposals) and made. This is high-lightened in *Table 2.1*.

Table 2.1: Action Plan

1	2	3	4	5	6	7	8	9
Business support services	Value chain (key stakeholders)	Weaknesses and opportunities	Causes for weaknesses	Proposals to address weaknesses	Activities	Implementing organisation	Time frame	Expected outcome
	Consumer							
BDS, SBAs…	Retailers							
BDS, SBAs…	Wholesalers							
BDS, SBAs…	Producer							
BDS, SBAs…	Collector							
BDS, SBAs…	Farmers							
BDS, SBAs…	Suppliers							

Hypothesis Workshop

2.2 Why conduct a Hypothesis workshop?

It needs to be ensured that every person in the team ‘speaks in the same language’ especially when encountering the stakeholders. The *Hypothesis Workshop* therefore is an important team building measure and helps to align the members’ expectations towards a specific target. At the same time it serves as a knowledge-sharing platform, on which the results of the initial research during the *Build-up* are presented and discussed and knowledge gaps identified. With regard to the Local-VCD procedure as a whole, it also is a planning session for the following Start-up workshop.

Tool

2.3 How to conduct a Hypothesis workshop

With regard to the objectives stated above, the following agenda is suggested for the Hypothesis workshop:

No.	Time	Title	Remarks
1	5 min	Team introduction	In case some team members are new (especially in case of the support team) everyone is asked to shortly introduce him/herself. This could also be done by a small game in order to loosen tensions.
2	10 min	Introduction: Target & means of Local-VCD	The development of the local sector is the target and the five triggers of value chain development are the means by which to achieve this target. The methodology is quickly revised and explained to the new team members who are unfamiliar with the Local-VCD approach. See 2.1 below for explanation.
3	30 min	Summary of Build-up	Ask your core team members to briefly summarise their activities in the build-up and present some findings (data & information). Also give a summary of your own activities. Discuss remaining gaps that need to be filled with additional data.
4	10 min	Refining the value chain map	Present the value chain constructed in the Build-up and make necessary changes that have become apparent. With the participating members of the support team (who are from the target sector), this will be much easier.
5	1 hour	Expected weaknesses and strengths	*Card exercise* (see Box…). Level-by-level assessment of weaknesses and strengths (e.g. "What are the weaknesses and strengths of dairy farmers?"). See 2.2 below for explanation.
6	10 min	Local competitive advantage	*Card exercise* (see Box...). Ask the participants to answer the following question with regard to the target sector: "What is the local competitive advantage?" In terms of local competitiveness, this is an important question to ask. See 2.3 below for explanation.
7	15 min	Expected outcomes	*Card exercise* (see Box…). Ask the participants, what kind of proposals they expect as outcome of the Local-VCD project to address the identified strengths and weaknesses. See 2.4 below for explanation.

No.	Time	Title	Remarks
8	15 min	Planning Start-up workshop	The Start-up workshop immediately follows the Hypothesis workshop. It needs considerable preparation, as it marks the public beginning of the Local-VCD project, to which local stakeholders and decision-makers are invited. Discuss organisational matters with your team.
Total: 2 h 45 min			
9	--	Evaluation of the Hypothesis workshop	The findings, discussions and decisions of the Hypothesis workshop need to be evaluated and put into the right format. Especially the card exercise results need to be documented and entered into your *Action Plan*.

2.3.1 Introduction to Local-VCD

A quick rehearsal of the Local-VCD approach is useful not only for the support team to get familiar with the methodology, but also for the trained core team members to freshen up their knowledge.

Start by quickly explaining what a value chain is. Use your value chain map which you have constructed in the *Build-up*. Experience has shown that using a flipchart is the best way to do this part: draw the value chain levels on to the chart, give examples for the inputs used at different levels (cost factors) and the price development. The outcome would be something similar to *Figure 1.2* in the introduction of this guide.

It is important to explain the objectives of Local-VCD and the means by which to achieve these objectives.

Primary target: the local sector

The primary *target* is to make the local sector more competitive and integrate it better into value chains and markets. Developing value chain levels outside of the local economy is only a secondary target and depends on your resources. Use *Figure 1.4* in *Part I* of this guide on a flipchart to explain the following points.

The means: five triggers of VCD

The five triggers of value chain development (*Part 1, 3*) are the *means* by which to achieve the target. The triggers give you a methodological framework under which to analyse the competitive situation of the local sector within a value chain. It is essential that the team members know what is meant, so quickly summarise the five triggers. Try to be as practical as possible, by using your target sector as an example.

2.3.2 Expected strengths and weaknesses along the value chain

Using your value chain map, ask the workshop participants to write down expected strengths and weaknesses for every level on cards (see *Box 2.1* below). Go through the chain level by level, by asking "What are the expected strengths and weaknesses of (for example) local ornamental fish growers"; "what are the strengths and weaknesses of exporters (as seen in connection to the local sector)"; etc. Calculate about 10 to 15 minutes for every question and answer.

After the workshop, you can fill the answers into column C of your *Action Plan*. These answers are however only temporary, as they reflect the *expected* strengths and weaknesses. They have yet to be confirmed through a proper research (see module 4: Interviews and focus group discussions).

An example for an *Action Plan* will filled-in strengths and weaknesses is given in module 5 (Results workshop).



Box 2.1: Card exercise

Also known as *ZOPP-cards* or *Meso-cards*, this workshop tool guarantees active involvement of all participants and helps to focus on key messages (rather than having detailed and time-consuming statements by individual participants).

Required equipment and materials

- 1-2 large pin boards and lots of pins
- plenty of cards in different colours (size about 12 x 22 cm)
- brown wallpaper (used as background on to which to pin the cards)
- mask tape
- markers for every participant

Procedure

For a card exercise, every participant receives some cards and a marker. They are then asked to write down their answers/thoughts to a particular question (e.g. what are the strengths and weaknesses of dairy farmers in Polonnaruwa?). The answer has to be given very short in large letter on the card. Several cards may be used for several answers/thoughts (e.g. one strength per green card and one weakness per red card).

The moderator would then collect the filled cards, and one-by-one read them out load and pin them to the board (on to which a title/question has been pinned previously).

Clustering

Many filled cards will repeat themselves once they have been pinned to the board. The moderator (or alternatively two participants) then summarises the cards into categories by grouping cards with similar messages.

2.3.3 Local competitive advantage

Finding the local competitive advantage of your local target sector is the key to improve its competitiveness. Without such an advantage, it will be difficult to integrate the local sector into the market, especially if other locations *do* possess such advantages. This should also have an impact on your decision on whether to select a specific sector for a Local-VCD project or not. So the question is: "what makes your location unique/special compared to others?"

Mind that local stakeholders often have a wrong perception of their sectors' performance, as they have not been to rival locations. What they perceive as competitive advantage might be irrelevant to the market due to technical advancement elsewhere or other more important competitive factors that the local sector does not possess. It is therefore always useful to visit competitors to the local sector and see how *they* do business in order to learn from them and to identify the *true* local competitive advantages of your target location.

Use the same approach as in the previous card exercises on strengths and weaknesses of particular value chain levels: Ask the participants to write down answers (one key word per card) to the following question: "What in your eyes is the local competitive advantage of our local sector?" A short explanation of 'local competitive advantage' will be necessary.

2.3.4 Expected outcomes

This card exercise anticipates the outcomes of the results workshop (module 5) at which proposals are developed to address the identified strengths and weaknesses of the local sector in the value chain. In other words: a 'hypothesis' is set up. It helps the team to start thinking about possible solutions to problems and get an idea of the direction into which the Local-VCD project might go. Starting to think about possible solutions only in the results workshop is too late. Reflection must take place already throughout the research process starting after this hypothesis workshop. This will ensure high quality proposals, which also have been cross-checked with stakeholders from the target sector, thus being more realistic.

Use the card exercise again: Ask the participants "What kind of proposals to develop the local sector do you expect to come out of this Local-VCD project?" Or more simple: "How can the local sector be developed, addressing the strengths and weaknesses identified?" Gather the answers on cards, pin them to the board and cluster them (see *Box…*).

Checklist

2.4 Final Checklist

The following checklist helps you to prepare for the Hypothesis workshop and ensures that you achieve your objectives.

No.	Task	Completed		Remarks
		Yes	No	
1	Have you achieved you objectives for the Build-up? What information/data is still missing?			
2	Have you invited 2-5 stakeholders from the local target sector to join the Hypothesis workshop and your support team?			
3	Have all team members (core *and* support team) understood the methodology and objectives of the Local-VCD project?			
4	Have you formulated your expectations towards the Local-VCD outcomes (Strengths & weaknesses, proposals)?			
5	Have you clearly distributed the responsibilities for the start-up workshop amongst you core team members?			
6	Have you invited all key local stakeholders and decision makers to the Start-up workshop? And have you made the necessary logistical arrangements?			

Module 3

Module 3: Start-up Workshop



3.1 What is a Start-up workshop?

! Attention

The *Start-up workshop* sets an official starting point, to which stakeholders from the *local* target sector and other value chain stakeholders (if possible), related public and private business service providers, political decision-makers and media are invited. Having all key stakeholders together, the opportunity is used to assess strengths and weaknesses of the sector and get some initial answers about VCD related topics.

Publicity	Make the public and especially stakeholders from the target sector aware that “something is happening”
Verification of value chain maps	Verify the value chain maps and if necessary revise the maps together with the participants
Identify key stakeholders & support services	Identify key persons and institutions involved in the value chain and other support services and decision-makers.
Initial assessment of target sector	Assess strengths and weaknesses of main value chain levels, business environment and support services.

Table 3.1: Action Plan

1	2	3	4	5	6	7	8	9
Business support services	Value chain (key stakeholders)	Weaknesses and opportunities	Causes for weaknesses	Proposals to address weaknesses	Activities	Implementing organisation	Time frame	Expected outcome
	Consumer							
BDS, SBAs…	Retailers							
BDS, SBAs…	Wholesalers							
BDS, SBAs…	Producer							
BDS, SBAs…	Collector							
BDS, SBAs…	Farmers							
BDS, SBAs…	Suppliers							

Start-up Workshop

3.2 Why carry out a Start-up workshop?

The *Start-up workshop* basically fulfils two functions (or objectives):

1. *Information:* Having various stakeholders from the target sector together in one room, offers the opportunity to gather some general information about the sectors' performance. Similar to the *Hypothesis workshop*, strengths and weaknesses of the main value chain levels as well as local competitive advantages are assessed through card exercise. Above that, some VCD specialised information can be gathered. In order to understand the relationship between value chain stakeholders.

2. *Publicity:* Apart from the information function, the *Start-up workshop* also helps to create awareness amongst the stakeholders of your target-sector that 'something is happening'. It serves as a basis for building confidence and winning the support of your target group. From here you will be able to expand your network of contacts for the next Local-VCD modules. This is also the reason, why local media should be invited. News needs to be spread amongst those who have not attended the workshop.

3.3 How to carry out a Start-up workshop?

The *Start-up workshop* should take no more than two hours since you do not want to take too much time of invited business stakeholders. You want to *develop* the private sector, not *prevent* it from doing business. So always remember: 'Time is money'.

The points on the agenda as suggested below should be divided equally amongst you and your team members. Delegate your work, but remain in control! Only this way you can ensure maximum participation of local stakeholders, while ensuring at the same time high-quality results.

See 3.3.1 below on who should be invited to the Start-up workshop.

Tool

No.	Time	Title	Remarks
1	5 min	Welcome address	As project manager, welcome the participants and special guests (esp. political decision makers and media). Shortly introduce your organisation. Perhaps one of the special guests is also willing to give a short welcome address. This would also show participants that the Local-VCD project is supported by local decision-makers.
2	15 min	Introduction: Target and means of Local-VCD	The development of the local sector is the target and the five triggers of value chain development are the means. Briefly explain the objectives of the Local-VCD project and the methodology. You can use a similar approach as suggested for the *Hypothesis workshop* (see 2.3.1). Emphasise the fact that in order to make the local sector more competitive in the value chain, support by all stakeholders is essential, and eventually everyone will benefit through better business.
3	10 min	Refining the value chain map	Hand out your value chain map, which gives space for participants to fill-in further information (you could use Figure 1.1 from *Module 1* again) and make corrections. See 3.3.2 for instructions.
4	15 min	Questionnaire	Hand out a short questionnaire, together with your value chain map. Go through question-by-question and ask participants to fill in the answers.
5	5 min	Card exercise	Explain the use of cards: how and what to write on the cards (see *Box 2.1* above).
6	45 min	Assessing strengths and weaknesses	Similar to the *Hypothesis workshop*, use the card exercise to assess strengths and weaknesses of particular value chain levels as well as business support services and business environment (policy and regulatory frame work). See 3.3.4 below for explanation.
7	10 min	Local competitive advantage	Similar to the *Hypothesis workshop*, use the card exercise and ask the participants about the local competitive advantage of your target sector. See 2.3.3 (previous section, Hypothesis workshop) for explanation.

No.	Time	Title	Remarks
8	5 min	Closing	Give a short summary of the *Start-up workshop* and an outline of what will happen next. Emphasise that the start-up workshop is only the beginning and that everyone will be invited for a focus-group discussion or contacted for an interview. Ask one of the prominent participants to give some closing words of appreciation.
Total: 110 min			
9		Evaluation & Follow-up	

3.3.1 Whom to invite to the Start-up workshop

The Local-VCD approach is a market-focussed approach. It is therefore most important to involve value chain stakeholders from outside of the local economy. However, experience has shown that it is very difficult to get larger value chain stakeholders involved from the very beginning. Only during your research (next module) will you be able to establish direct contact to some of the major buyers, suppliers and supporting organisations of your local sector and invite them to your results presentation (*Module 6*).

The Start-up workshop should therefore focus entirely on the local stakeholders. It is important to build your local support basis before going to outside value chain stakeholders.

Make sure that you invite the participants well in advance. Your value chain map, with the names (and contacts) of key stakeholders should give you a good starting point. Invitations need to be sent out already in the *Build-up* phase. Experience with LOCA exercises has also shown that it is of benefit, if the invitations are sent out by a neutral private/public organisation that enjoys a certain degree of reputation amongst the target group – in LOCA terminology this is referred to as a 'host'.

If stakeholders cannot participate in the *Start-up workshop*, you should either invite them for a focus-group discussion or ask for an interview (see next module).



Table 3.1: Whom to invite to the Start-up workshop

Business Stakeholders of local target sector	As mentioned above, you will initially only be able to invite local stakeholders to your start-up workshop. These could be local producers (small, medium and large), traders, collectors, supply retailers, farmers etc.
Local Business support services	**BDS providers:** Consultants, training & skills, technical support services, banks & insurances **Business association:** Small business associations, chamber of commerce
Local Government officials & authorities	Responsible departments, extension services, head of local/ district administration, major or town chief etc.
Public sector	**Institutions:** Training & education, research & development **NGOs & donor organisations**
Media	**Journalists from:** Local newspaper, local/regional Radio, local/regional TV, (internet portals), etc.



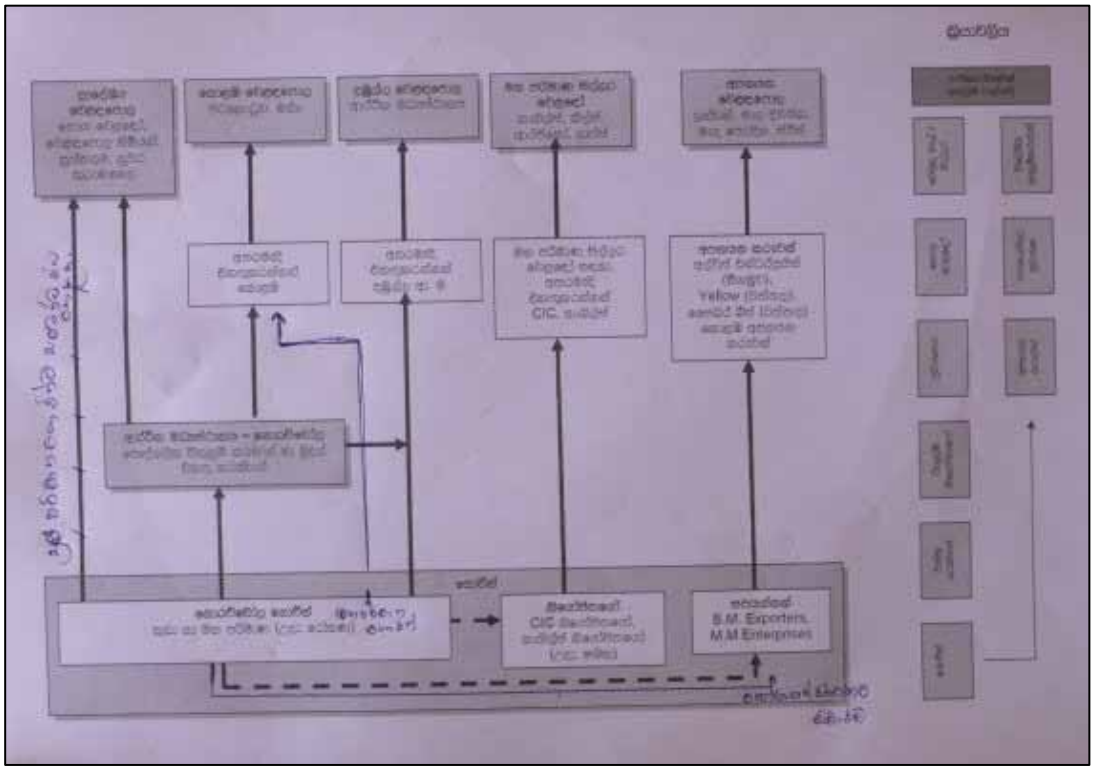
3.3.2 Refining the value chain map

Show your value chain map to the workshop participants and ask them to comment, fill-in additional information and make corrections if necessary. In recent Local-VCD project in Sri Lanka, this has been done, by handing out a printout of the value chain map. A short explanation was given, and participants were then asked to note down their remarks on to the paper, which was returned again to the project team. For this purpose, a translation of the value chain map from English into the local language is very useful.

The verification of your value chain map is important in order to make sure that the target sector has been correctly depicted and key stakeholders have been identified. Especially ask the participants to fill in further names of enterprises, business service providers, organisations etc.

Example

Figure 3.2: Example for a corrected value chain map



Note that the example shows a different value chain map as has been explained in *Module 1.3.2* of this guide. The steps of constricting a map as depicted above are given in Annex 1. It is therefore suggested that you use the template in *Figure 1.1* as handout for your Start-up with the mapped simple value chain. This map also gives the participants enough space to add further names.

Tool

3.3.3 Questionnaire

Finding out about strengths and weaknesses of a particular value chain level is not sufficient for value chain development. Using an Local-VCD approach, you are particularly interested in the relationship and interaction between various value chain stakeholders. The five triggers mentioned in the introduction of this guide give you some guidance as to what information exactly is needed.

The format of the *Start-up workshop* will however *not* allow you to go into detail. It only allows you to make an initial, rough assessment of the relationship and interaction between your local business stakeholders (your target group) and the rest of the value chain. Detailed analysis is therefore the objective of the following Local-VCD module (Focus-group discussions and interviews). This initial assessment is nevertheless important for you and your team to get a 'first picture' of the current situation.

It is therefore suggested, that you ask the participants of the *Start-up workshop* some simple questions that are related to value chain specific matters. This could

best be done in form of a questionnaire handed out and filled out together with the participants. This has worked quite well in a recent Local-VCD project on ornamental fish in Polonnaruwa (Sri Lanka).

The questionnaire below can be used as a template (leave enough space for answers). You could however add some sector-specific questions of interest. The questionnaire needs to be collected again by the team.

i
Example

Box3.1: Example questionnaire for an ornamental fish Local-VCD Start-up workshop (Sri Lanka)

1 *Value chain position:* What is your role in the ornamental fish value chain?

2 *Product specifications:* What are the fish varieties produced in Polonnaruwa? And which of these are exported?

3 *Market information:* Where are these fish sold? Who is the final costumer? Which are the export countries?

4 *Market requirements:* Does the buyer have any specific requirements? If yes, what are these requirements?

5 *Price information:* What is the price at which you sell your fish? (Name 3-5 main varieties and give the price per fish)

6 *Cost information:* What are your main cost factors? Name 3-5 and the amount that you spend on it per month.

7 *Supply information:* Where do you get your supply from? Is it easily available (in Polonnaruwa)?

8 *Embedded business services:* Do you receive any services from your buyers or suppliers (for example training, equipment, logistical support etc.)?

9 *Sector support:* What kind of business services and support do you receive? Are you aware of all services available to Ornamental fish farming?

10 *Competition:* Who are your main competitors? Which other regions in Sri Lanka also produce the same fish varieties?

11 *Competition:* At what price do your competitors sell the fish? Are they more successful in business?

12 *Competition:* Are ornamental fish imported from other countries (for example Singapore) and sold directly on Sri Lankan consumer market? Which are these countries?

3.3.4 Assessing strengths and weaknesses

Again – similar to the *Hypothesis workshop* – ask the workshop participants to write down strengths and weaknesses of particular particular value chain levels. Also include the business environment (see Part I) and business support services. You might find it necessary to group some value chain levels in order to keep time short. For example exporters, retailers and collectors could be grouped under the category 'buyers' of 'marketing'.

i
Example

Box3.2: Example of ornamental fish Start-up workshop in Polonnaruwa (Sri Lanka)

At the *Start-up workshop* for the ornamental fish sector in Polonnaruwa, participants were asked to write down strengths and weaknesses for the following value chain levels (the levels were of course done one-by-one):

- Ornamental fish growers & hatcheries
- Buyers (collectors, exporters, retailers)
- Suppliers (equipment, feed, fingerlings etc.)
- Business support services/environment

To include the business environment and business support services is essential, as not only local stakeholders from *within* the target sector will participate at the Start-up workshop, but also services providers and political decision makers (see 3.1). This is another reason, why you should group certain value chain levels under one category – you want the attention of everyone in the room.

3.3.5 Closing & Evaluation

You need to ensure that the results of your *Start-up workshop* are well documented. The results of the card exercise can be secured already during the workshop by fastening the cards to the wallpaper with mask tape. You can then simply role-up the wallpaper (e.g. with cards for 'strengths and weaknesses of local producers') and evaluate them back in your office.

Alternatively one of your team members could take notes during the workshop and write a short report giving the main results.

The following evaluation sheet helps you to summarise the findings of your Start-up workshop. Use the card wallpapers and the filled out questionnaires as information source.

Checklist

Checklist 3.1: Evaluation of Startup-workshop

No.	Question	Remark
1	*Card exercise:* What are the main strengths and weaknesses with regard to level 1 (e.g. suppliers) of the value chain?	Strengths: Weaknesses:
2	*Card exercise:* What are the main strengths and weaknesses with regard to level 2 (e.g. local producers) of the value chain?	Strengths Weaknesses:
3	*Card exercise:* What are the main strengths and weaknesses with regard to level 1 (e.g. buyers) of the value chain?	Strengths: Weaknesses:
4	*Card exercise:* What are the main strengths and weaknesses with regard to the business environment (policy and regulatory framework)?	Strengths: Weaknesses:
5	*Card exercise:* What are the main strengths and weaknesses with regard to public and private business support services?	Strengths: Weaknesses:
6	*Questionnaire - Market:* Which are the main markets of the local sector? And what kind of requirements do buyers have? Are local stakeholders aware of these requirements?	
7	*Questionnaire – price/costs:* How does the price increase along the value chain? And what are the main cost factors for every level?	
8	*Questionnaire – embedded services:* Do local stakeholders receive services/support from other value chain stakeholders?	
9	*Questionnaire - competition:* Does the local sector face strong or weak competition? Who are the main competitors?	
10	Your feeling about the Start-up workshop: Do local stakeholders support your Local-VCD project?	

	How was the participation?	

You will probably not yet find answers to all questions. It is however important for you to identify the gaps in your checklist, and find answers for them during your focus group discussions and interviews (next module).

Checklist

3.4 Final Checklist

The following checklist helps you to prepare for your Start-up workshop and ensure that you achieve your objectives.

No.	Task	Completed		Remarks
		Yes	No	
1	Did you invite all the stakeholders as suggested in 3.1?			
2	Did you prepare the value chain maps to present to participants (power point slide and/or handout)? Have you translated the maps into local language?			
3	Did you prepare a questionnaire with additional questions to ask from the participants?			
4	Have you discussed the agenda with your team and have you delegated responsibilities?			
5	Have you ensured that proper documentation is done during the workshop (note taking and/or preserving of card exercises for evaluation)?			
6	Have you passed around a list into which the participants have filled in their names and contact details?			
7	Have you arranged subsequent appointments for interviews and focus group discussions with the participants?			
8	Have you ensured local media coverage of the Local-VCD start-up (e.g. by writing a press release and providing information material about your organisation and the Local-VCD approach)?			
9	Have you evaluated and documented the			

No.	Task	Completed		Remarks
		Yes	No	
	results of the workshop as suggested under 3.4?			
10	Did you have a subsequent meeting with your team to plan the next steps?			

Module 4

Module 4: Focus group discussions & interviews



4.1 What are focus group discussions and interviews?

! Attention

The analysis of the value chain is done by conducting a series of focus group discussions and interviews with key value chain stakeholders and supporting industries and organisations.

It is crucial for an Local-VCD project to include all value chain stakeholders to which the local target sector has a relation – and even a *potential* relation. These are small and medium enterprises as well as large companies (buyers *and* suppliers), exporters and international buyers, national (sector-specific) organisations and public authorities and institutions etc. – all outside of the local sector.

Focus group discussions

Focus group discussions are workshops with several stakeholders of one particular level in the value chain. Usually these would be local entrepreneurs (e.g. cow farmers or collectors) who are more easily to contact and to invite for such a workshop. A series of card exercises and questions are used to assess strengths, weaknesses, opportunities and threats of this particular level as well as their relationship and interaction with other levels.

Interviews

Interviews are conducted with individual value chain stakeholders that are more difficult to reach through a workshop format. Such stakeholders would be for example large lead companies (buyers/suppliers), national retailers or exporters. Usually these interviews would be conducted

separately at the interview partners' location. Such interviews need careful preparation, as the time of the interviewees is limited and reassurance for still open questions is difficult once the interview is over. Additionally, you will not only *ask* questions, but you also will have to *provide information* in order to win the interviewees' support for your local initiative.

With regard to your *Action Plan* this module will provide you with information to fill out Columns 3 and 4. However, you will also gather additional information which is relevant for the sector as such and turns the focus more to relationships and interaction between value chain stakeholders (and which cannot be necessarily attributed to specific levels in the chain). Your research will also provide you with some first ideas on how certain weaknesses and opportunities could be addressed (Columns 5 and 6), and who could play an important role in implementing your proposals (Column 7).

Table 4.1: Action Plan

1	2	3	4	5	6	7	8	9
Business support services	Value chain (key stakeholders)	Weaknesses and opportunities	Causes for weaknesses	Proposals to address weaknesses	Activities	Implementing organisation	Time frame	Expected outcome
	Consumer	Findings	Cause(s)					
BDS, SBAs…	Retailers	Findings	Cause(s)					
BDS, SBAs…	Wholesalers	Findings	Cause(s)					
BDS, SBAs…	Producer	Findings	Cause(s)					
BDS, SBAs…	Collector	Findings	Cause(s)					
BDS, SBAs…	Farmers	Findings	Cause(s)					
BDS, SBAs…	Suppliers	Findings	Cause(s)					

Focus group discussions & Interviews (VC Analysis)

4.2 Why conduct focus group discussions and interviews?

The purpose of focus group discussions and interviews (or the purpose of *value chain analysis* in general) is

1. to identify *market requirements* and demand conditions and see whether local enterprises comply with these requirements – and if not: why not;

2. to assess *strengths, weaknesses, opportunities and threats* (SWOT) of individual levels in the value chain and of the value chain as a whole;

3. to understand *causes* of problems that were identified at specific levels (and which might be related to other levels in the value chain) as well as

the local competitive advantage which opens up market opportunities for local enterprises;

4. to assess the *nature of relationships and interaction* between a particular level and other value chain stakeholders (for example in form of embedded business services and the flow of information and knowledge);

5. to analyse the availability and appropriateness of *business support services* and constraints in the *policy and regulatory framework* affecting the local sector;

6. to get an idea of how *possible interventions* could help the local target sector to integrate successfully into the value chain and secure its market.

4.3 How to conduct focus group discussions and interviews?

The following section provides you with some instructions on how to conduct focus group discussions and interviews. For your value chain analysis you should however keep two rules in mind:

1. *Research serves the project – not the other way round.* Means: focus on the information you really need and which is relevant to business stakeholders rather than wasting your and others' time and resources. Keep it short and to the point!

2. For this reason: *Put on the hat of a business man (or woman)*. What would you want to know if you were a buyer or a supplier or a small producer? Sometimes the required information is simple: quality, quantity, delivery speed, price and reliability – these are some of the factors that count in business world!

4.3.1 Whom to interview

You need to conduct focus group discussions and interviews with as much value chain stakeholders as possible. There are mainly three restrictions:

1. Your limited time frame (you have only 2 to 3 weeks for your research),

2. a prioritisation on stakeholders to which the local target sector has some form of relationship and

3. the geographic/national borders.

Apart from business stakeholders in the value chain, you also need to conduct interviews with supporting organisations, business service providers, supply companies and retailers, authorities and relevant political decision makers. This is illustrated in the following figure:

Checklist

Table 4.1: whom to interview

Value Chain Stakeholders	**Buyers:** Retail companies, exporters, local collectors, traders, lead firms/foreign buyers **Suppliers:** Supply companies, (local) supply retailers **Local enterprises:** SMEs & Large-scale enterprises **Other enterprises** (not-local producers)
Business support services	**BDS providers:** Consultants, training & skills, technical support services, banks & insurances **Business association:** Small business associations, chamber of commerce, national/regional industry bodies/ associations **Other support services:** Accreditation agencies, etc.
Government officials & authorities	**Local administration:** Responsible departments, extension services, head of local/ district administration **National/regional administration:** Responsible ministry, the minister himself, parliamentarian
Public sector	**Institutions:** Training & education, research & development **NGOs & donor organisations**

Resources

For Sri Lanka, the following organisations provide contact details and useful information about value chain stakeholders. You might want to use these sources in order to find interviewees.

1. *Export Development Board:* The following website of the EDB gives sector specific contact details and is a must: www.srilankabusiness.com.

2. *National Chamber of Commerce:* They have a 'Directory of members', which is available as hard copy and provides contact details of members. The names are ordered into sectors and business categories. Also look at the online directory, which makes the search much easier: http://www.nccsl.lk (look under 'membership' – 'members')

3. *Federation of Chambers of Sri Lanka:* The 'Small Enterprise Developers ' (SMED) is a project by FCCISL that has developed a database on SMEs in Sri Lanka. This database is administered in cooperation with UNIDO

and is connected to similar databases of other countries. Contact Mr. Cooray (Tel: 011-2304253).

4. *Industrial Development Board:* Through your local office of the IDB, you should also be able to access their national database on industrial sectors in Sri Lanka.

4.3.2 Some logistical aspects

When conducting your value chain analysis, you need to consider some logistical aspects:

Time frame	As indicated in *Figure 1* (introduction to Part II) above, your value chain analysis (focus group discussions and interviews) should not take longer than two to three weeks.
Travelling	Since many value chain stakeholders (supply and retail companies, exporters etc.) are located outside of the local sector, you will have to plan some trips to other towns and cities. Personal interviews are always better than telephone interviews or email correspondence.
Geographic scope	Local-VCD is a *local* economic development project. This usually means that your interviews will end at the national border. However, you might be able to contact some foreign companies who are related to your target sector in some way to get information about international market requirements.
Team work	Delegate your work. Let your team members conduct interviews and focus group discussions on their own. The questionnaires provided in this section give some guidance – you can also design interview guidelines yourself. Just make sure that all interviews and discussions are well documented.



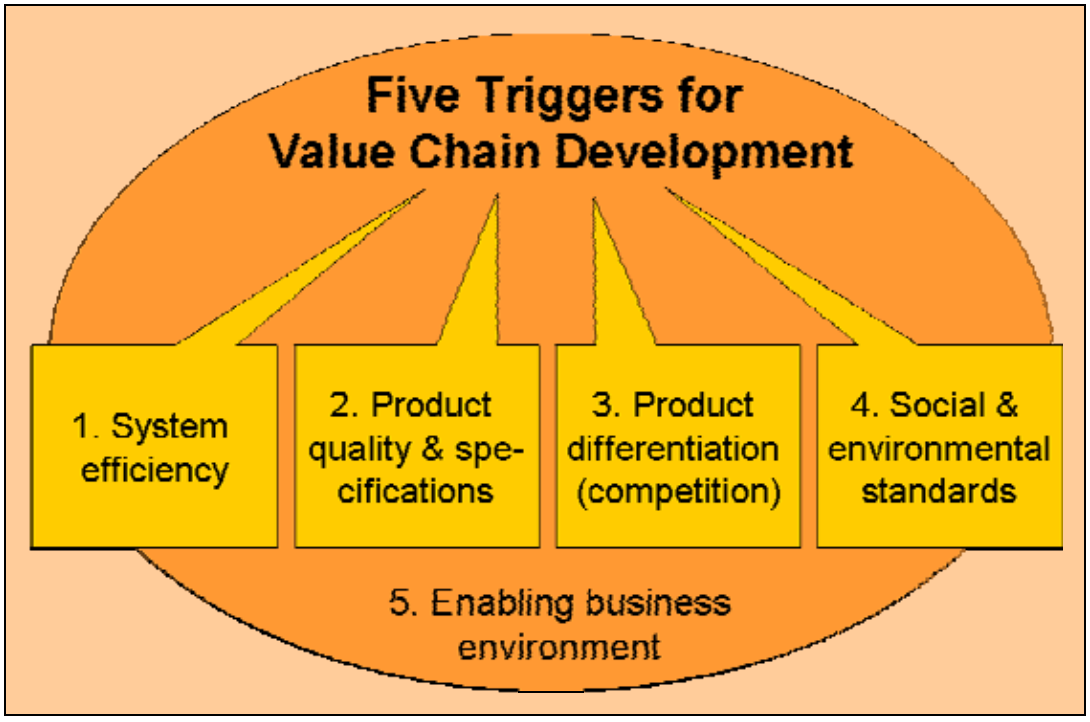
4.3.3 Using the five triggers for Local-VCD as analytical framework

The five triggers for value chain (see *Figure 4.1*) development serve as an orientation for the focus group discussions and interviews. Questions and card exercises will be directed to find out more about

System	Access to information and knowledge, delivery time and reliability, flexibility, communication between value chain

efficiency	stakeholders and embedded business and customer services.
Product quality & specifications	Product design and quality, price and costs (value addition), market and buyer requirements, consumer trends, product presentation (packaging & advertisement).
Product differentiation (competition)	Main competitors, price and cost comparison, local competitive advantage/disadvantage, research & development, buyers' appraisal of different (competing) suppliers.
Labour practices	Labour standards and wages (and other labour costs), gender equality, workplace security, motivation of workers, training and skills, organisation, self-employment.
Business environment	Business support services, availability and capacity of SME organisations, legal and regulatory framework.

Figure 4.1: Triggers for Local Value Chain Development



4.3.4 Focus group discussions

Attention

Definition

A focus group is a group discussion that gathers together people from similar backgrounds or experiences to discuss a specific topic of interest to the researcher. The group of participants are guided by a moderator (or group facilitator), who introduces topics for discussion and helps the group to participate in a lively and natural discussion amongst themselves.

A focus group is not a group interview where a moderator asks the group questions and participants individually provide answers. The focus group relies on group discussion and is especially successful where the participants are able to talk to each other about the topic of interest. This is important as it allows the participants the opportunity to disagree or agree with each other. It can provide insight into how a group thinks about an issue, about the range of opinions and ideas, and the inconsistencies and variation that exist in a particular community in terms of beliefs and their experiences and practices.

The discussion is usually "focused" on a particular area of interest. It does not usually cover a large range of issues, but allows the researcher to explore one or two topics in greater detail.

Focus groups are also "focused" because the participants usually share a common characteristic. This may be age, sex, educational background, religion, or something directly related to the topic. This encourages a group to speak more freely about the subject without fear of being judged by others thought to be superior, more expert or more conservative. For example, young women may not be as forthcoming in their ideas and opinions in the presence of their mothers or mothers-in-law, as they might be if they participated in a group that excluded older women.

For more information go to the following website from which the above text is quoted: http://www.unu.edu/Unupress/food2/UIN03E/uin03e00.htm#Contents

For your value chain research, focus group discussions will especially be useful when gathering information about the local target sector. Local small stakeholders of a particular business background (for example ornamental fish growers) are much easier to bring together into such a workshop format than large buyers, suppliers or exporters from outside the local sector.

Tool

It is suggested, that you use a mix of card and question-answer (maybe with an accompanying questionnaire) exercises. ***Annex 2*** *provides you with a format for focus group discussions that has proven to be useful in previous Local-VCD exercises, and can serve you as guidance for your own focus group discussion.* The combination of card exercises, Q&A and discussions should keep the workshop lively and interesting for participants. Maximum duration should be 2 hours.

4.3.5 Interviews with key stakeholders and decision makers

You will conduct a wide variety of interviews with different value chain stakeholders, representatives of organisations, business service providers, political decision makers, government authorities and extension officers etc. The interview form is particularly useful, when gathering information from stakeholders that are located outside of your local target sector. You will have to travel to meet them.



Annexes 3 to 9 *provide interview guidelines for different types of value chain stakeholders. They have been used in previous Local-VCD projects in Sri Lanka.*

Interviews need careful preparation, especially when you go to larger business stakeholders like retail chains, exporters, large supply companies etc. The following checklist helps you to prepare for your interviews.

Checklist 4.1: Preparing for interviews



No.	Task	Completed		Remarks
		Yes	No	
1	*Objectives:* Which value chain stakeholders are relevant for your local target sector? Make a list of stakeholders with whom you need to conduct separate interviews.			
2	*Information:* What kind of specific information do you require from the different stakeholders? Write the objectives for every interview behind the names in your list (e.g. Ornamental fish exporter – objective: information about grading, demanded varieties and quality standards).			
3	*Method:* kind of interview do you want to conduct? An open or a closed interview, or a mix of both? See *Box 4.1* for explanation. It is good to have a questionnaire or an interview guideline. Write your most important questions down before the interview. Annexes 6-13 provide examples for interviews with different value chain levels.			
4	*Contact:* Once you are certain about your objectives and method, pick up the phone and contact your interviewee to arrange for an appointment. Make sure you can briefly explain your project and objectives on the phone to catch the interest of your contact person.			

5	*Documentation:* Answers during the interview need to be documented for your analysis. In case of a closed interview where you use a questionnaire, answers are filled into a form. In the case of an open interview, you will have to take proper notes. It is best if you do not go alone – take someone with you so that you can concentrate on asking questions, while the other takes notes. Do not rely on your memory – take notes!			

Box 4.1: Interview methods

Open interview form	An interview with an open form allows your interviewee to freely formulate his answers without restrictions. As an interviewer, you have prepared a guideline for the interview (a list of important questions for which you seek an answer), which however leaves the answer open to your interviewee. An example: "What do you think of the new government policy towards import regulation of livestock? Does this have negative impact on your business?" An open interview form is appropriate, if you want to gather as much information as possible. It is often easier to get information this way, rather than pressing your interviewees into a format that does not allow them to express themselves freely.
Closed interview form	A closed interview would be based on a questionnaire and limits the interviewee to a set of answers. This form is especially useful, if you intend to bring answers of several interviewees (who have all been asked the same questions) into a statistical format. Example: "If you evaluate the performance of your suppliers along a scale of 1 (very bad) to 5 (very good), what mark would you give them for 'quality'?"



4.3.6 Star diagram

The star diagram is a useful tool to assess your target sectors' performance with respect to certain buyers' requirements and compared to competitors. The assessment is done by the buyer himself within your interview.

Though this tool has not yet been used successfully in previous Local-VCD exercises in Sri Lanka, it is highly encouraged to use it. When shown to local stakeholders at the results presentation (*Module 6*), it potentially functions as an 'eye-opener', pointing out to specific problems that local enterprises have in fulfilling market requirements. It points out to necessary and specific changes. You should therefore make yourself and your core team familiar with the star diagram.

Steps how to construct a star diagram:

Step 1: Requirements

What are the most important requirements that buyers have towards their suppliers? Stating the main requirements can often already be done after some initial research on the target sector (for example after the Start-up workshop). You could also ask the buyer himself during the interview: "What are your five main requirements towards ornamental fish growers" (if these are your target group).

Examples for buyer requirements are: fast delivery, low price, high quality, modern design, freshness, reliability/regularity of supply, fast response time to orders, flexibility, hygienic packaging, labelling, traceability, compliance with international standards, good customer services, product information etc.

Try to limit the selection of requirements to about five. If you have pre-selected the requirements prior to your interview with the buyer, you could reassure yourself during the interview, by asking whether the requirements have been identified correctly.

Step 2: Competitors

Who are the main competitors of your local target sector? From which other regions (within the country and even outside) does the buyer source his products? Ask the buyer during the interview to give the names of his 3-6 main sources. If you interview several buyers, it is better to pre-select some sources, in order to summarise all interviews into one star diagram later.

If your local target sector is for example ornamental fish farming in Polonnaruwa, then competitors are: Anuradhapura, Negombo, Kalutara (in the country) and Singapore.

Step 3: buyers' confidence

Now ask the buyer to evaluate the performance of your target sector and that of its competitors along a scale of 1 (very bad)

to 5 (very good) by going through the main requirements.

For example: "With regard to *delivery time*, how would you estimate the performance of ornamental fish farmers in Singapore … in Anuradhapura … in Kalutara … in Negombo … and in Polonnaruwa – using a scale of 1 to 5?" Note the answers down as shown in *Box 4.2* below.

Example

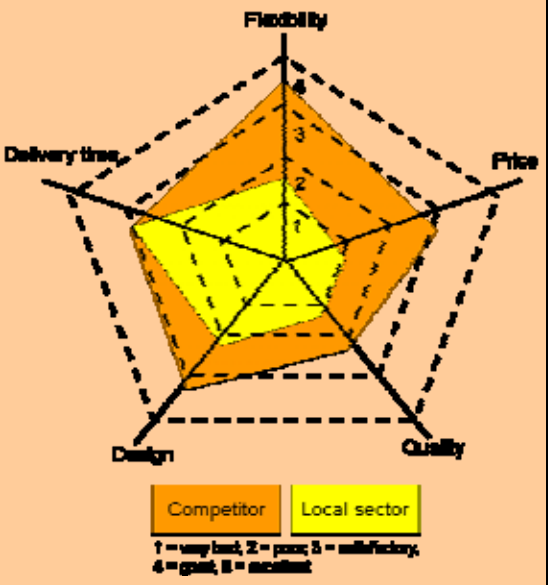
Box 4.2: Example for a star diagram

Questionnaire

Along a scale from 1 to 5, how do you assess the performance of your 4 most important suppliers* from different regions with regard to the following business criteria (make a cross for your answer):

	Weakness			Strength	
	1	2	3	4	5
Innovative design		a**	B	C,d	
Regular and reliable product quality		b	C	A	d
Price		a	D	B,c	
Delivery time		a	B	C,d	
Response time (from order to delivery)		d	A	B,c	
Flexibility: coping with small orders			a,b	C,d	
Flexibility: coping with changes in large orders		a,d	C		b

Star diagram example



** Even if your local target sector is not one of the most important suppliers, include it to this list!*

***India: a; Italy: b; Brazil: c; China: d. Could be done for competing national sectors or international sectors (as in example)*

Step 4: Evaluation

A star diagram is easily constructed with an Excel programme (a template is available from Matthias Herr, Lesego@gmx.de). If you have interviewed several buyers, asking them the same questions above, you need to calculate the average mark for every performance criteria.

For example: Delivery time – Buyer 1 gives your target sector a mark of 2, buyer 2 gives 3, buyer 3 gives 4 and buyer 4 gives 2. The average mark for delivery time for your target sector would therefore be 2.75 (11/4). Do the same with competitors and other performance criteria.

The star diagram gives very useful information. From diagram above (*Box 4.2*) you can see for example that the local target

sector can compete with India in terms of flexibility, but looses heavily in the other areas (especially in quality and price). Local stakeholders therefore need to improve their design and production methods in order to increase quality and reduce the price. The price and delivery time can also be further improved by avoiding unnecessary intermediaries along the value chain.

Star diagram questions have been included in the sample questionnaires in Annex 3. However, you need to modify them to fit your purposes.

4.3.7 Documentation and evaluation of results

The results of every focus group discussion and every interview needs to be documented for the results workshop (next Module 5). It is suggested that you use one of the following documentation methods – or both of them:

Results wallpaper by VC level

Short after your interview/focus group discussion, write down your most important findings on to cards and stick them on a wallpaper under the heading of the particular value chain level (e.g. 'supply companies' or 'Exporters', etc.). Keep these wallpapers hanged in your offices as you add more information during your research.

While writing your findings on to cards, think of strengths and weaknesses that you have identified as well as information regarding the five triggers for value chain development.

Evaluation sheet

Table 4.2 provides you with an evaluation sheet template. You can either fill out a hardcopy after every interview and focus group discussion, or if you use it as electronic version, you can continuously add information. In the latter case, you would then have one evaluation sheet for every level of the value chain (plus business service providers), in which you enter the results of several interviews and discussions. The sheet would then serve as a level-specific summary which you can use for your results workshop.

In both cases, you need to be careful that essential information does not get lost. Apart from assessing strengths and weaknesses for particular value chain levels, you need to ensure that the five triggers for value chain development are reflected in your evaluation.

As illustrated in *Figure 1.3* (*Part 1, 3*), the most important question for which you have to find an answer is:

1. *What are the market requirements and demand conditions for products from your local target sector?*

Then you need to answer the next question:

2. *Do producers of the local target sector comply with the market requirements? And if not: Why not?*



All the other questions are designed to find the reasons, why local producers find it hard to access markets; why they do not comply with market requirements. The five triggers are used as an analytical framework and it is essential that you keep in mind what they mean, when you document and evaluate your findings. Therefore

3. *ask yourself questions with regard to the triggers and try to answer them.* Section 4.4.2 above serves as an orientation. For example when it comes to system efficiency, ask yourself: How do value chain stakeholders communicate with each other and how often? Does the buyer provide the supplier with information about market requirements? Etc. or with regard to product differentiation: Who are the main competitors? what is the local competitive advantage? How do local stakeholders preserve their advantages?

Tool

These are the questions you need to ask yourself, when either filling out your evaluation sheet (as in the template below), or when you write down your findings on to cards and stick them to a wallpaper.

<table>
<tr><td colspan="3">Name of value chain level:</td></tr>
<tr><td colspan="2">1. SWOT Analysis
Write down strengths, weaknesses, opportunities and threats that you have observed in your interviews/focus group discussions.</td><td>2. Value Chain Triggers
Note down your main observations for every trigger. Take into consideration the aspects of every triggers as mentioned in 4.3.2.</td></tr>
<tr><td rowspan="2">1.1 Strengths</td><td rowspan="2">1.2 Weaknesses</td><td>2.1 System efficiency:</td></tr>
<tr><td>2.2 Product quality/specification:</td></tr>
<tr><td rowspan="2">1.3 Opportunities</td><td rowspan="2">1.4 Threats</td><td>2.3 Product differentiation (competition):</td></tr>
<tr><td>2.4 Social and environmental standards:</td></tr>
<tr><td colspan="2">3. Market requirements</td><td>2.5 Business environment:</td></tr>
<tr><td colspan="3">4. Other observations (e.g. surprises) – or main findings</td></tr>
</table>

Table 4.2: Template for evaluation sheet

Checklist

4.4 Final Checklist

The following checklist helps you to prepare your value chain analysis and ensure that you achieve your objectives.

No.	Task	Completed		Remarks
		Yes	No	
1	Have you interviewed stakeholders from all levels in the value chain?			
2	Have you also interviewed stakeholders related to the target sector (e.g. service providers, authorities, institutions etc.)?			
3	Have you made sure to collect information on the five triggers for value chain development?			
4	Have you conducted a focus group discussion with local business stakeholders?			
5	Have you carried out interviews outside of the local sector?			
6	Have you prepared your interviews in advance?			
7	Have you taken notes during the interviews and focus group discussions?			
8	Have you made evaluations after every interview and discussion?			
9	Have you used the star diagram?			
10	Have you invited all interviewees and focus group discussion participants and other stakeholder to the Results Presentation (*Module 6*)? The best is to give them invitations during the interview/discussion, rather than sending it later by post.			
11	Have you ensured that the findings have been documented well for the results workshop?			

Module 5

Module 5: Evaluation & Results Workshop



5.1 What is a Results Workshop?

! Attention

The Results Workshop is an internal meeting of your core and support team, where all findings of your interviews and focus group discussions are brought together, evaluated and formulated into proposals. By the end of this workshop you should have a set of proposals related to your target value chain, which address identified opportunities and weaknesses at different levels and help the local target sector to integrate itself into the market.

The objectives of the *Results Workshop* can be summarised as follows:

Identifying opportunities and constraints at different levels	Based on the five triggers for value chain development and the results of your interview and focus group discussions, opportunities and constraints are related to different value chain levels and stakeholders.
Mapping value addition (optional)	The value addition along the value chain and contribution of individual levels (especially the share of your local target sector) and their cost structure is evaluated and mapped.
Identifying value chain governance (optional)	The way a value chain is governed, has an impact on the solution proposed. Therefore you need to identify governance structures which affect the ways in which value is distributed.
Evaluating buyers' confidence (optional)	If you have managed to collect data for a star diagram (see *Module 4.3.4*), it will provide useful implications for your proposals. The findings reveal information about buyers' confidence towards your local target sector and will therefore be discussed in the team.

Formulating & mapping interventions

Having identified opportunities and constraints as well as governance structure and value addition, you will formulate interventions directly targeting different value chain levels and which can be implemented by *local* stakeholders.

In this module you will finalise your *Action Plan* which is a useful tool to summarise findings and proposals on to one – or two – sheets of paper. An example of such an *Action Plan* has been given in *Figure 5.1* and *Table 5.1* as well as in *section 5.3.6*.

Table 5.1: Action Plan

1	2	3	4	5	6	7	8	9
Business support services	**Value chain (key stakeholders)**	**Opportunities & constraints**	**Causes for constraints**	**Proposals to address constraints**	**Activities**	**Implementing organisation**	**Time frame**	**Expected outcome**
	Consumer	Findings	Cause(s)					
BDS, SBAs…	Retailers	Findings	Cause(s)					
BDS, SBAs…	Wholesalers	Findings	Cause(s)					
BDS, SBAs…	Producer	Findings	Cause(s)					
BDS, SBAs…	Collector	Findings	Cause(s)					
BDS, SBAs…	Farmers	Findings	Cause(s)					
BDS, SBAs…	Suppliers	Findings	Cause(s)					

Results Workshop

5.2 Why conduct a Results Workshop?

The reasons for conducting a *Results Workshop* are given by the objectives stated above. The workshop itself is an internal team meeting (core *and* support team) at which the results of the value chain analysis are discussed and proposals are formulated. The proposals will then be presented in the *Results Presentation* (*Module 6*), where the stakeholders can take over responsibility for implementation.

The *Results Workshop* is therefore an essential milestone on the road to high quality solutions for local value chain development.

5.3 How to conduct a Results Workshop?

The Proposals of your *Results Workshop* and the procedure during the workshop itself will depend to a great deal on your documentation of interviews and focus group discussions (see previous *Module 4.3.7*). During the workshop you will use

your evaluation sheets and results wallpapers as a basis for finding solutions to certain identified opportunities and constraints.

The main component of the *Results Workshop* is the identification of opportunities and constraints along the value chain as well as the causes (point 5 and 6 on the suggested agenda). By adding further components such as the mapping of 'added value' along the chain, the star diagram and/or the identification of value chain governance, the quality but also the extent of the workshop can be increased. These optional components can either be prepared in advance by the team leader and serve as useful input to formulating proposals, or left away if insufficient information for their realisation has been gathered.

The following agenda is suggested for the Results Workshop:



No.	Time	Title	Remarks
1	15 min	Introduction: Target & means of Local-VCD	The development of the local sector is primary target and the five triggers for value chain development are a means of achieving this target. See *5.3.1* below for explanation.
2	45 min	Mapping value addition (optional or in advance)	Mapping main cost factors and prices at different value chain levels provides useful information about competitiveness. Section *5.3.3* provides instructions.
3	30 min	Value chain governance (optional or in advance)	The relationship between different value chain stakeholders has important implications for your proposals. You will therefore identify different governance types of individual chains into which your local target sector feeds.
4		Star diagram (optional or in advance)	Buyers' confidence in the local sector compared to competitors has very useful implications for competitiveness. The star diagram should best be prepared in advance and then presented to the workshop participants. See *Module 4.3.6* for explanation.
5	1,5 h	Identifying opportunities and constraints at different VC levels	Using your evaluation sheets, notes and card wallpapers with the findings of your focus group discussions and interviews, you will analyse every value chain level separately in order to identify opportunities and constraints. See section *5.3.5*.
6	30 min	Identifying causes / reasons for constraints	What are the reasons for constraints and problems (but also opportunities) identified at different levels of the value chain? Based on your findings, you will discuss causes and insert them into your *Action Plan*. See section 5.3.5.

No.	Time	Title	Remarks
7	1 h	Formulating proposals and activities	Once you have identified opportunities and constraints as well as the underlying causes you will formulate proposals. You will find however that already during your interviews and discussions, stakeholders will propose certain solutions themselves. It is often a matter of writing them systematically down. Section 5.3.6 provides instructions, examples and tools.
8	30 h	Completing the Action Plan	Gathering initial information for the remaining columns of your Action Plan: Who could implement certain proposals? How long would it take? What would be the expected outcome? And how much would it cost?
9	30 min	Preparing for the Results Presentation	Delegating responsibilities to the team for the *Results Presentation*. Also presentations (Powerpoint, wallpaper etc.) need to be prepared.
Total: 6 hours			

5.3.1 Before you start

Attention

Before you start with the evaluation of the results of your focus group discussions and interviews, make sure that the objectives of the Local-VCD project are clear to everyone. Emphasise the following two targets (see *Part I*, *3*: 'What is local value chain development?'):

Target 1: The local sector is primary target of the Local-VCD

When looking at the results of your focus group discussions and interviews (in form of evaluation sheets and card wallpapers lying in front of you), always ask yourself: "How is this issue/opportunity/constraint related to my *local* target sector?" And when it comes to formulating proposals: "What can *local* stakeholders do to overcome these constraints (or to take advantage of the opportunities)?" Or: "How can *local* enterprises become more competitive in terms of meeting market requirements and how can *local* enterprises integrate themselves more effectively into value chains and markets in general?"

Target 2: Other levels in the value chain are only secondary target, but their

relationship to the local sector is crucial

All your proposals must have some relation to your local target sector! Of course you will also identify opportunities and constraints related to other value chain levels outside of the local economy. You should therefore classify your findings and proposals into '*primary*' and '*secondary*' importance, because value chain stakeholder outside of the local economy might also show interest in your findings. Therefore, do not neglect them completely but put them second in your priority.

In your proposals try to focus more on the *relationship* between other value chain stakeholders and your local target sector. How can local enterprises benefit from information and services of other value chain stakeholders? Which are the requirements that local enterprises need to fulfil if they want to supply a large company or exporter at the upper end of the chain? How can you better market the products/services of your local sector? And so on. These are the relevant questions to ask.

However, take a look again at the example in Box 1.2 (Part I, 3). *Solutions to local value chain development often lie outside the local economy.* In order to upgrade the local target sector, you might have to work together with large companies (buyers or suppliers). You therefore carefully need to consider the options available to you.

Once you have explained this to your team members, quickly rehearse the five triggers for value chain development (*Part I*, *4*) as means to achieve your targets. It is helpful to orient your proposals along these five triggers.

5.3.2 Some logistical aspects

For the preparation of your *Results Workshop*, you need to consider some logistical aspects, of which a few are mentioned here:

Time frame	You need to calculate with one whole day for your *Results Workshop*. In some cases it has even taken one and a half days.
Participants	All team members – core *and* support team (see *Module 1.3.2*) –need to attend. It is absolute essential that everyone who has conducted interviews and focus group discussions is present. Otherwise important knowledge and findings will be lost. Having the findings written on cards and evaluation sheets is not enough.
Required Equipment	o A large *Action Plan* matrix on a wallpaper on to which cards can be posted as you fill out the remaining

columns (see *Table 5.1*)

- Your evaluation sheets and card wallpapers with the results of your focus group discussions and interviews (you could hang them to the wall in the workshop room)
- Equipment and materials for card exercises (see B*ox 2.1* in Module 2)
- Food and beverages in order to make a long workshop as pleasant as possible
- Perhaps a computer and a projector to show and prepare a Powerpoint presentation as well as summarise the findings and proposals into your *Action Plan*.



5.3.3 Mapping value addition (optional)

Finding out about prices and costs at different value chain levels is an extremely difficult but just as useful task. Entrepreneurs are very reluctant to share this information and it requires a great deal of trust between you and the entrepreneur to get the required information. In the best case, you have even identified prices and costs of different levels of a competing value chain (as shown in *Figure 1.2* in *Part I*).

Because of the difficulty to achieve this task, it is presented here as an optional tool. But mind that it is a very useful instrument to show local value chain stakeholders, where they lack competitiveness in terms of costs and price.

It is recommended to prepare the map in advance rather than within the Results Workshop. The finished map can then serve as an input for making proposals.

Step 1: VC map

Write down the different levels of your value chain next to each other as illustrated in Figure 5.1. You can also do this with cards on a wallpaper.

Step 2: Adding cost information

In order to be able to complete step 2 and 3, you must have gathered information on costs and prices already during your interviews and focus group discussions. If you have done so, use your notes and evaluation sheets (or filled out questionnaires) to fill in the main cost factors below each level of your value chain (e.g. ‘Electricity’, ‘shop rent’, ‘cow feed’ etc.).

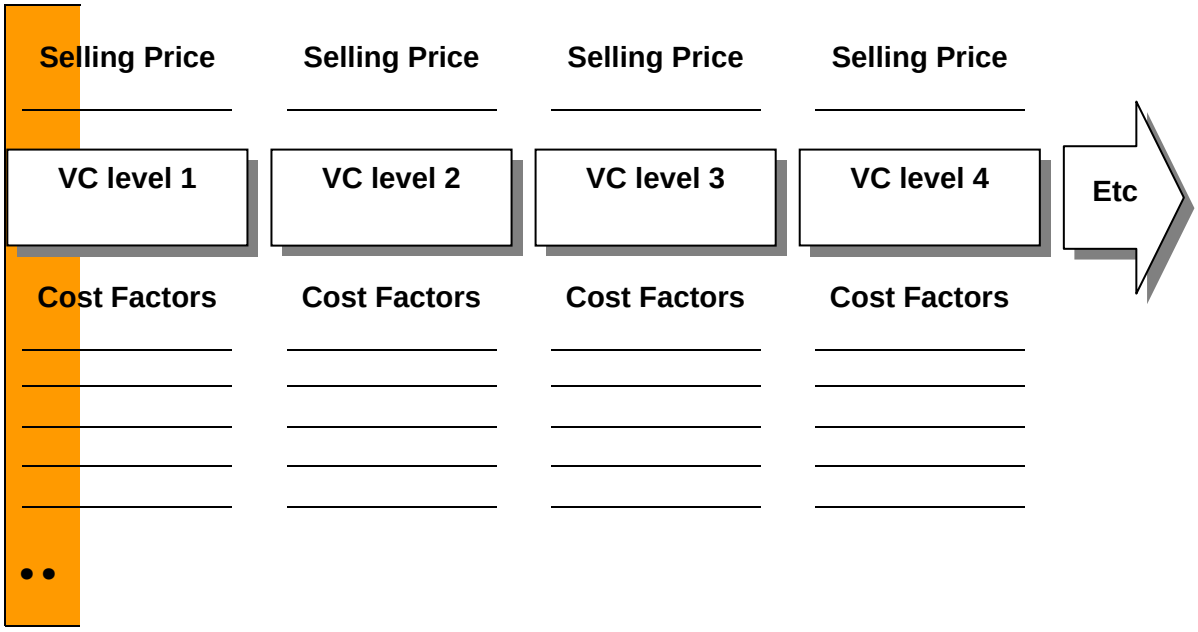
If your interviewees have even given you information on the amount of costs of the main cost factors, then add them to the list (e.g. ‘Elactricity: LKR 1,500/month’, ‘shop rent: LKR10,000/month’ etc.).

Step 3: Adding price development

Above each level of your value chain, fill in the price at which the entrepreneur sells his product to the next level in the chain. The price increases as you advance further towards the end consumer. Also consider value added tax (VAT).

Note that you have to take one specific product in order to map the value addition. For example 'a 100g chocolate bar' as in the example below, or a 'T-shirt' as in the example in *Figure 1.2* in *Part I*.

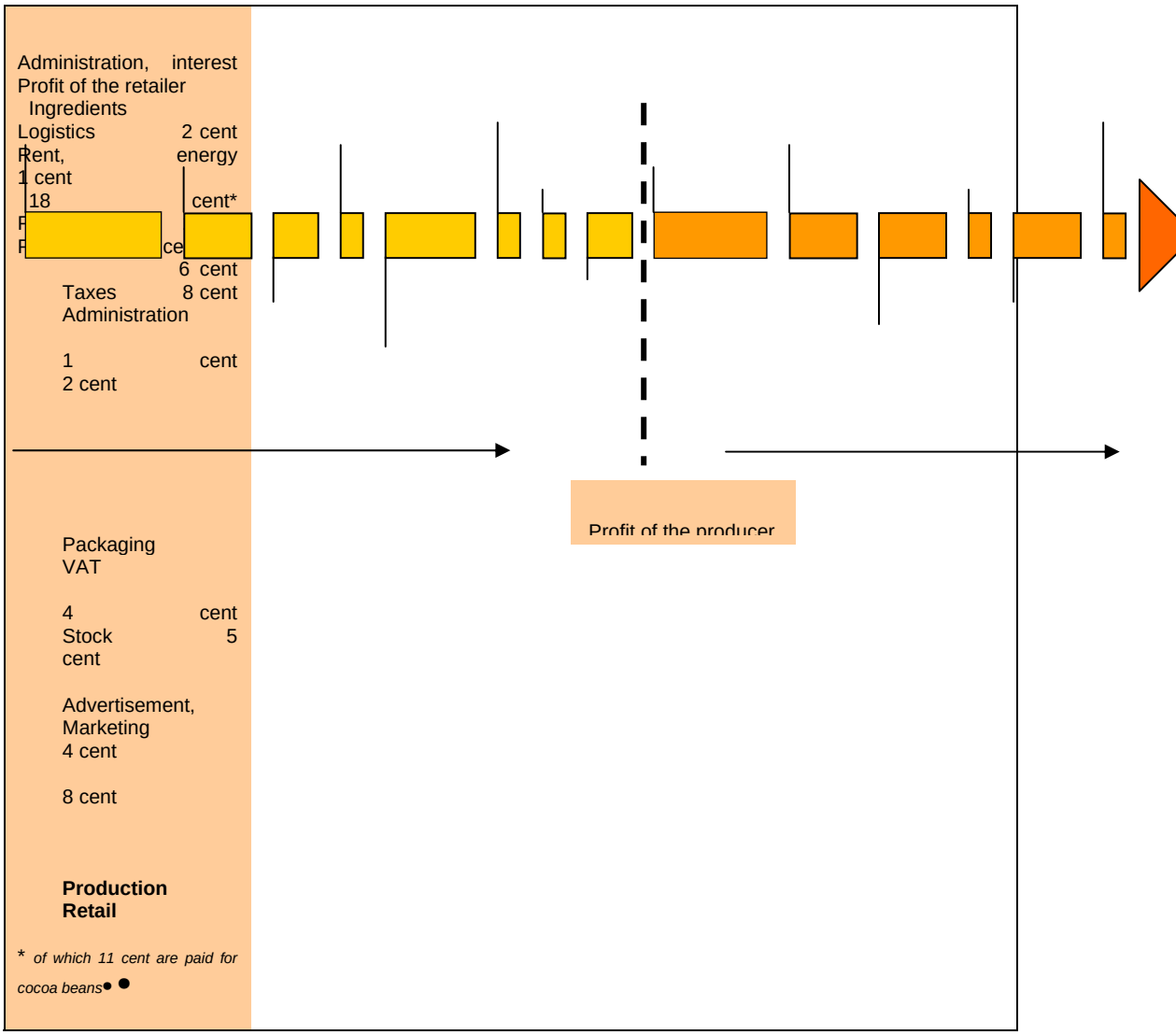
Figure 5.1: Template for mapping value addition



Example

An example is given already in *Figures 1.1* and *1.2* in *Part I*. Figure 5.2 provides another example for the value addition of a chocolate value chain. In this example it is assumed that a 100g chocolate bar would cost the consumer 0.69 Euro. This chain only covers manufacturing and retail and was prepared by the McKinsey consulting company for the chocolate industry in Germany.

Figure 5.2: Value addition of a standard 100g chocolate bar with a retail price of 0.69 Euro



Source: McKinsey Wissen, 2004: 49

5.3.4 Value chain governance (optional)

Value chain governance is an academic concept, which however can have important implications for the success of your proposals. The nature of relationships between value chain stakeholders determines the type of intervention that you are proposing. If for example a large manufacturer of dairy products dominates the market of small local milk producers, then your proposals will take a different form than in the case of several medium sized buyers competing against each other for local milk supply.

Information

Box 5.1: A short excursion into Value Chain Governance

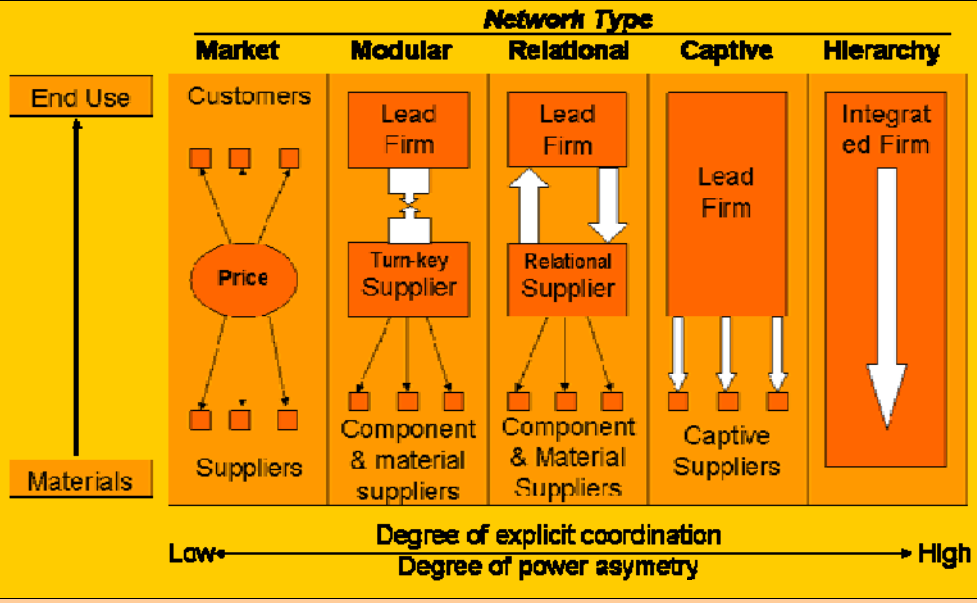
Dealing with value chains requires an understanding of *how the value chains are*

organised (or coordinated) and in particular, who has the say in the chain (power relations). This is what is meant when referring to *value chain governance*. Value chains display a variety of different "governance structures", and the recognition of different forms of governance in global value chains has important implications for the question of upgrading, that is to say, how enterprises can move into higher value-added activities.

Figure 5.3 illustrates different governance types that can occur in value chains. The degree of power asymmetry increases from left to right. Loose connections between enterprises are indicated by a thin arrow, as in market-based relationships. The stronger the relationship between enterprises gets, the thicker the arrow.

1. Many chains have a dominant player who determines the overall character of the chain. The powerful players are often called *lead firms*, who seek to *govern* the chain. Lead firms often set and/or enforce terms under which other actors in the chain operate. When a lead firm possesses extensive control or even takes over direct ownership of parts of the value chain, we speak of *hierarchical relationships*. A central concern of value chain analysis is to understand the relationships between global lead firms and local producers – and the opportunities and constraints that result from entering such relationships.

Figure 5.3: Types of Value Chain Governance



Source: Gereffi et al, 2003: 9

2. In other chains there is intensive interaction, but the relationships between the enterprises are uneven. We would speak of more *network-type relationships*. These relationships include: a) *modular relationships*, where suppliers make products or provide services to a customer's specifications, and tend to be highly competent with an ability to provide "turn-key" or "full-package" services; b) *relational relationships* that are often complex interactions between buyers and sellers and often create mutual dependence and asset specificity; and c) *captive relationships* that are typical for situations where small suppliers are transactional-dependent on much larger buyers. Suppliers face significant switching costs and are therefore "captive".

3. Not all chains are governed by powerful lead firms. In some chains there is

buying and selling (transaction) but little exchange of information and learning from each other (interaction). This type of value chain governance consists of *market-based relationships*, because the conditions of exchanging goods and services are negotiated daily on the basis of the market price.

Quoted from: Matthias Herr (2006): An ILO guide for value chain analysis and upgrading, Geneva. See also www.globalvaluechains.org

The following steps give you some advice on how you can identify value chain governance in your target sector. It is best to prepare the steps in advance and present the result to your team members during the *Results Workshop*.

Tool

Step 1: Construct alternative VC map

Local enterprises of your target sector will not all supply into the same chain. Some will sell their products to exporters, others to collectors who again sell it to national retailers, and again others will sell their products on the local market.

You therefore need an overview of the main individual chains into which your target sector feeds. Therefore construct a value chain map as described in *Annex 1*. It is useful to separate individual chains according to the size of companies/enterprises involved – as shown in the example below (*Box 5.1*)

Step 2: Identify governance

With the help of this value chain map, you will be able to identify different chains that are characterised by different types of stakeholders. Chains with large stakeholders that buy from (or supply to) the local sector usually tend to be more hierarchical than chains with only small and medium-sized stakeholders.

In order to identify value chain governance, you must have already asked your interviewees during the focus group discussions and interviews about their relationship to your local target sector. Therefore use your evaluation sheets, notes and results wallpapers to find an answer.

Step 3: Mapping VC governance

You can note down the type of governance above every individual chain of your new value chain map. Present this map then to your team in the Results Workshop and quickly explain the different governance types. This will serve as a useful input for formulating proposals that address the different needs of different individual chains.

i
Example

Box 5.2: Example for the relevance of value chain governance

A Local-VCD exercise on the dairy sector in Kurunegala (Sri Lanka) has demonstrated the relevance of value chain governance: Within the exercise, four individual chains that local milk producers supplied were identified: 1) small scale milk processing for the local market, 2) fresh milk delivery to local households, 3) large-scale milk processing for the national market and 4) medium sized milk processing for the regional market by a local cooperative.

Each of these chains is governed in a different way: The chain with large-scale milk processing was dominated by Nestlé and Milko – two large companies that both have a wide supply and marketing network, whereas the small-scale milk processing is characterised through market-based relationships. Proposals were then developed to address the specific needs of these different value chains.

5.3.5 Identifying opportunities, constraints and causes

Identifying the main opportunities and constraints and their causes is the objective of the Results Workshop before starting with the formulation of proposals. It is a group evaluation of the findings of your focus group discussions and interviews.

For this purpose you need your evaluation sheets and/or the results wallpapers (see *Module 4.4.5*). For the workshop is highly recommended to have results wallpapers, with the main findings on cards, organised under a specific value chain level. However, you can also use the evaluation sheets – one for every level – and distribute copies to your team members.



The following steps help you to conduct this exercise:

Step 1: opportunities and constraints (group work)

If you have only evaluation sheets, divide your team into several small groups and give each group one or two evaluation sheets for a specific level. Ask them to discuss the findings (as documented on the sheet, from their personal notes and from what they remember) and write all opportunities and constraints on to cards. Every group gets a wallpaper for a specific level, on to which they can paste the cards.

If you have documented your findings on to a results wallpaper already during your research, you can skip his step.

Step 2: Clustering & prioritisation

Ask the groups to cluster (or categorise) the opportunities and constraints on the wallpaper. Then hang up the wallpapers for individual value chain levels that document the main opportunities and constraints. Ask two members of each group to briefly present their findings.

Give markers to every team member and ask them to priorities the identified opportunities and constraints for every level. For this, every team member has three votes for every level. He/she will come up to the wallpaper and put three bars on to three cards of his/her choice. This would be done for the other

value chain levels as well.

Once everyone has cast his/her votes, you will be able to identify the 3-5 most important opportunities and constraints for every value chain level.

Step 3: Insert into Action Plan

Take the 3-5 most important opportunities and constraints for every level, write them on to cards and paste these cards into your Action Plan wallpaper under 'Opportunities and constraints' (column 3, *Table 5.1*)

Step 4: Causes

Now go through the identified opportunities and constraints and ask your team members for the reasons/causes. Note down the answers on cards and paste them into the column next to the opportunities and constraints (column 4, *Table 5.1*).

Note that as a team leader, you are responsible to direct the team, by continuously pointing out to the *five triggers for value chain development* (see *chapter 4*, *Part I*).

Intervene in group discussions, by asking related questions. For example "Does the buyer provide any training and information to his suppliers – why, or why not?" Or: "How long does it take the product to reach the final consumer? Why does it take so long?" Or: Are the available business support services appropriate for the needs of the sector? Why not?" Or: "How and how often do local enterprises communicate with their buyers? How much do they know about the market? Why is there a communication gap? Why do local producers not trust the buyers?" and so on.

5.3.6 Formulating & mapping interventions

After you have mapped the most important opportunities and constraints (*5.3.4*) the difficult part begins: You need to find answers on how to address the opportunities and constraints. This requires a certain degree of knowledge about upgrading solutions for value chain development as well as some creativity of mind.

In order not to rely completely on your creativity and team knowledge, it is of utmost importance that you have already asked the stakeholders of your target sector themselves, how they think a solution would have to look like. The questionnaires in Annexes 5 to 12 have included such questions. *Mostly, value chain stakeholders already have an idea of possible solutions.* You should have noted these down in your evaluation sheets and notes.

Therefore you should already have developed some ideas for proposals during your interviews and focus group discussions. It is maybe simply a matter of writing them systematically down:

Tool

Step 1: Explaining the rules

Explain to your team, for what kind of examples you are looking: 1) they should be realistic and viable, b) quickly implementable by local stakeholders themselves, and c) if possible show quick and visible results. See also the LOCA guide for explanation.

Step 2: Formulating general proposals

Now look at your incomplete *Action Plan* (hanging as wallpaper for everyone to see) and go through the opportunities, constraints and causes one-by-one (or level-by-level). Ask your team members: "How can we address this opportunity/constraint?" Also look at the suggestions that stakeholders themselves have given during the interviews and focus group discussions.

Gather the ideas on to cards and paste them into the column 'Proposals' next to the 'causes' (column 5). Initially the formulation of proposals will be more general. For example: "Improve linkages between local dairy producers and processors", or "improve access and availability of market information".

Step 3: Formulating specific activities

Once you have formulated more general proposals, you need to get specific. For example: "How exactly are we going to improve access and availability of market information?" One proposal can contain several activities. Write down these activities on to cards and paste them into the column next to the proposals (column 6).

Table 5.2 provides some examples, tools and ideas for activities that could be formulated in the context of value chain development. *Section 5.3.5* gives an example for a complete Action Plan.

Note that value chain interventions should seek primarily for private sector solutions and should be strictly market oriented. Therefore the ownership of initiatives should and activities as proposed in your Action Plan should be handed over to private business stakeholders.

Government authorities and officials should only get involved where they play an important role: in creating an enabling business environment for the development of your target sector. Figure 1.4 in section 4.5, Part I summarised the areas which are of concern to government authorities and officials.

Also note that most proposals can not anymore be made specifically for a certain level in the value chain, since they primarily target the local sector and its relationship to other value chain levels. In the example in Section 5.3.5, the division between value chain levels has therefore been given up from column 5 ('proposals') onwards.

Step 4:

Columns 7 to 9 (*Table 5.1*) still remain empty in your Action

Completing the Action Plan

Plan. Of these remaining columns, column 9 'Expected Outcome' is most important. Ask your team "If we implement these activities, what will be the expected outcome?" Or: "What is the goal which we are trying to achieve with this proposal?" Note down the answers on to cards and paste them next to the respective proposals. *Section 5.3.6* provides an example.

The columns on 'time frame' and 'implementing organisation' can not yet completely be filled out. In fact one of the objectives of your *Results Presentation* (see next *Module 6*) is to find stakeholders who take over responsibility for implementing certain activities. However, some proposals target specific stakeholders, such as certain authorities. You can already fill in some names or organisations, as has been done in the example below.

For the time frame you can already give an educated guess, but this also has to be discussed with the implementing organisation in the Follow-up of your Local-VCD project (Module 6)

The following table summarises some possible solutions that take into consideration the five triggers for value chain development. However, every Local-VCD project is different and requires distinct solutions that fit the needs of your target sector. The solutions below therefore only give you an idea of what is possible.

Information

Table 5.2: Possible value chain upgrading solutions (for Sri Lanka)

1. Building Linkages		
1.1	**Buyer-Seller Forums**	Buyer-seller forums are gatherings of business people to display or trade products and services, to exchange business ideas, introduce new technologies and services to the market, establish new business contacts and relationships, initiate new contracts, find business partners etc. Buyer-Seller Forums can have different forms, for example: o *Large business fairs/exhibitions.* Enter-Growth has experience in organising such MSE fairs at local level. However, fairs can only be effective if a relatively large number of sellers also meet a relatively large number of buyers. They do not work in the case of highly concentrated markets (e.g. with large lead firms or even a monopolist dominating the value chain) o *Smaller and informal forums.* Examples include

		inviting a large buyer to the local sector to give a presentation on his business; business lunches, dinners and receptions;
1.2	**Business partner databases**	1. *SMED-UNIDO "Sub contracting & Partnership Exchange (SPX)", **www.smed.lk** (go to "projects" then "SPX Sri Lanka"), contact Mr. Cooray (Manager), projsmed@slt.lk, +94-11-304287/9.* SPX is a centre for Industrial Subcontracting and Partnership between main-contractors, suppliers and subcontractors. This centre compiles technical and other and information on potential and existing sub-contractors and main contractors. The SPX also facilitates matchmaking between main contractors and subcontractors on specific requirements. It is linked to 62 other international centers in 31 countries, and therefore offers good opportunity for SMEs to find international buyers/suppliers. 2. *EDB Website, **www.srilankabusiness.com*** The website has an "e-market place" for different sectors. Within the categories (e.g. "fruits and vegetables") you will find different products at offer and – most importantly – the name of the vendor/exporter. This is useful information to link local SMEs to export markets. 3. *Chambers of Commerce, member directories, also **www.nccsl.lk*** The national chamber of commerce Sri Lanka has just recently published a directory of members. This directory offers a list of member companies together with short profiles. Local chambers of commerce should also have such directories – maybe less sophisticated. Also check out www.nccsl.lk – go to "members", then "corporate members" – the online database here will allow you to find businesses operating in specific sectors – also a useful tool for business partner search.
1.3	**"System Integrators"**	*Sri Lankan Guide on small business associations in preparation by Mr. Amarapale, contact **ar@entergrowth.com*** It is often difficult for SMEs to access new markets individually, because as such they a) do not have bargaining power, and b) often cannot alone meet the buyers' requirements for quantity, quality, delivery time, reliability, flexibility etc.

		It is therefore one of the most immediate steps in vale chain development to organise SMEs. This can take different forms: business associations, cooperatives, franchise businesses, temporary interest groups, chambers etc. These Small Business Associations (SBA) can therefore act as "System Integrators" for SMEs – means: help them to integrate into value chains more effectively. SBAs can a) improve bargaining power of SMEs (e.g. in negotiating discounts for supply goods through bulk purchasing, or negotiating collectively with buyers), b) improve marketing and distribution of SMEs' products and services, and c) deliver services to members (such as trainings, shared machines, consultancy etc.)
1.4	**Linking local to national business associations**	Development agencies and BDS providers often build up SBAs at the local levels without considering their relationship to other associations. It is however important to link local and national associations to create "economies of scale" through knowledge transfer and also access to improved services. This will enhance the capacities of SBAs at the local levels. Encourage SMEs to become members in national associations (for example the "Association for Small and Medium Enterprises in Tourism Sri Lanka" (ASMET)) Link local SBAs for a particular sector with national roof organisations (for example the informal guide association of A'pura with the National Tourist Guide association). This could be initiated by simply inviting members of both associations to a round table.
1.5	**Public-Private-Partnership (PPP)**	Public institutions and authorities in Sri Lanka often advice SMEs on business matters without having an understanding of how the private sector and markets function as such. Mutually beneficial communication between private and public sector therefore is essential in a) improving business environment and services delivered to the private sector, and b) keeping the private sector informed about relevant laws and regulations. *MSE forums at district level* (in which Enter-Growth has substantial experience) are such a PPP. In the long-run, these forums could be institutionalised on a permanent basis to facilitate dialogue between private and public stakeholders.
1.6	**Value Chain Management through**	For effective (target-oriented) and efficient (economic) value chain management, it is necessary for business partners along the value chain to meet and discuss

	stakeholder groups	matters of their particular value chain. Starting from the results presentation a "Value Chain Core Group" (VCCG) could be formed by representatives of different levels of the value chain. This core group can help a) to set business targets, b) to monitor implementation and progress of proposals, c) plan and carry out a pilot project (within three months). This Core Group could be planned as temporary body, but may also become permanent, if stakeholders perceive it as beneficial. Experiences with VCCGs have been made by the GTZ Value Chain Promotion Component. Contact Dr. Peter Richter, richter@sltnet.lk, +94-11-4737502
1.7	**Sub-contracting**	Sub-contracting is a way by which larger enterprises outsource parts of their production to smaller enterprises. Often the large enterprise would provide training, equipment, continuous advice and even financial support. This way, knowledge and information about new technologies can be transferred to SMEs at local level. In order for larger companies to invest in a local sector through sub-contracting, certain pre-conditions need to be given. An local investment promotion unit of a development agency can support SMEs in establishing these pre-conditions.
2. Market access, Market requirements and demand conditions		
2.1	**Standards, certifications and norms**	Standards, certifications and norms are often barriers for SMEs to access new markets (especially export markets). For example, many small and medium-scale farmers of fruits and vegetable ca not export their products to the European market because they do not comply with hygienic standards (HACCP). It is therefore essential that information on such market requirements also reaches the lower levels of the value chain. The GTZ Value Chain Promotion Component has done some substantial work in this area. Mr. Bernhard Hettiarachchi is an expert for international market standards. He has developed Good Agricultural Practices (GAP) and Good Manufacturing Practices (GMP) for the Spices Sector in Sri Lanka and is working as a consultant in this area. He will be a good contact: GTZ VCP, Tel: +94-11-4737502, hettiarachchi@sltnet.lk.
2.3	**Learning-by-visiting**	Many rural small enterprises perform badly, because the entrepre-neur does not know it better. Exposure visits to business stakeholder with good business practices that use new technologies and production procedures often

		has the effect of an eye-opener. For example in the case of the Polonnaruwa ornamental fish sector, it was suggested to visit a large producer and exporter in Colombo together with a group of OF growers from the local sector. The Local-VCD had met and interviewed the large producer during its research and was impressed by the advanced technology and the scale of production.
2.4	**Market research**	Knowing about the market requirements and demand conditions (especially consumer trends) is essential for competitiveness and enterprise growth. The Local-VCD project does not replace a proper market analysis. You might therefore think of conducting a market research or contract a service provider to do one. In Vietnam for example, Oxfam (Hong Kong) has conducted a thorough international market research for furniture made of Bamboo. International designers were invited to develop new designs, and products of competitors (especially from China) were carefully analysed. For further information contact: John Marsh, Oxfam in Vietnam: johnm@ohk.org.vn, www.oxfam.org.hk.
2.5	**Buyer/customer feedback**	Communication between buyer and seller is important. SMEs of ten lack the market feedback and therefore do not improve their products and services according to new market trends. In the Local-VCD project on the tourism sector in Anuradhapura, it was for example suggested to hand out feedback papers to trained guides, who would then ask their customers (tourists) for their opinion. The guides would then give the filled out feedback papers back to the tourism information centre for evaluation.
3. Embedded services (costumer services)		
3.1	**Increasing promotional activities of suppliers in rural areas**	Lack of information on new technologies and input goods is often a problem in rural areas. Suppliers should therefore be encouraged to introduce their products and services in rural areas and remote towns. This can be done in several ways: o *Road shows:* marketing personnel for supply companies would travel to rural areas with samples of their products and introduce them to potential buyers. o *Small outlets/agents/sub-contracting:* Suppliers

		should be encouraged to open outlets where there is a potential customer basis. This could be done through sub-contracting of franchising (see 3.3). o *Presentations:* suppliers could be invited (e.g. by the business chamber) to give a presentation on their products and services before potential buyers. o *Small fairs/exhibitions:* see 1.1
3.2	**Improving customer services of suppliers**	Suppliers of various input factors (e.g. of fertilisers, pesticides and seeds for farmers) often provide customer services such as training on how to use the equipment, maintenance services, information on new technologies and products, advice on business related matters (e.g. on cropping), etc. They are therefore an important source of information and knowledge for local stakeholders. A case example from Bangladesh shows that increasing the capacity and outreach (means: improving the customer services) of suppliers in rural areas helps to improve productivity and income of small stakeholders. In this particular example, the development agency cooperated with a large agriculture supplier to provide training to small and rural suppliers on how to use fertilisers, pesticides and seeds in a correct way and on how to advice their customers (small farmers) on these matters. As a result, the trained small suppliers could improve their image amongst farmers and increase their sales. Those farmers who received advice from the trained suppliers could also increase the quality of their products as well as productivity. The case study is available from Enter-Growth office in Colombo, please contact Roel Hakemulder, rh@entergrowth.com.
3.4	**Media**	An example from Uganda shows that embedded services can be promoted through media: The ILO project there published information on radio and in newspapers about what kind of services larger companies would provide to their buyers and suppliers. This information is essential for small enterprises, if they also are to benefit form such services. The case study is available at Enter-Growth Office in Colombo, please contact Matthias Herr, lesego@gmx.de.

5.3.7 Example: Action Plan for ornamental fish sector in Polonnaruwa (Sri Lanka)

BDS	Value Chain	Opportunities	Problems	Causes	Proposals	Activities	Expected outcome	Implementing organisation
EDB, NAQDA, NCP Ministry of Fisheries, National Ministry of Inland Fisheries, IDA NCP	**Exporters** Interviewed: - Aquamarine - North-West Aquarium - Negombo Aquarium - Aqauworld - Tetra	- SL market share in world is about 5% - International exhibitions - Many exporters available in Colombo and Negombo - EDB website and promotional activities (one appointed officer for the sector) - NAQDA training and breeding centre facilitates export varieties and standards	- Only about 3% of OF fro Pol. are exported - Varieties from Pol. are not suitable for export markets - Low quality of OF from Pol. (diseases) - Information on exporters not available to OF growers in Pol. - Customer clearance at aiport too long (3h wait + 2h transport + 1h packing = time wasted in Colombo) - Packaging can keep oxegen only for 2-3 days	- Lack of awareness about export market requirements, quality standards & grading amongst growers - Insufficient quality control at farm level - Knowledge and skills of OF growers not sufficient to meet demand for quality products - No R&D for new export varieties - Lack of official recognition → no priority setting for perishable products - Lack Communication between exporters and growers	**1) Improve access and availability of information (esp. on market requirements)** **2) Improve knowledge and skills of OF growers, collectors and hatcheries**	- Establish an **information centre** for OF in Pollonaruwa that provides regularly updated information to all stakeholders (incl. buyers) - **Information booklet** on hatcheries, growers, collectors, retailers, exporters (incl their requirements) and BDS providers - **Regular events**/lectures/ workshops to which retailers, exporters, suppliers and BDS providers are invited to provide training and information - **Exposure visits** to NAQDA breeding/training centre, large exporters and retailers (if possible even to Singapore) - **Organising training by exporters and retailers.** Also disseminate information about their support services - **Strengthen linkages** between NAQDA training centre and OF sector in Polonnaruwa - **Provide certificate**/ID-card for NAQDA trained OF producers and make info available to buyers (could also be a precondition for official support, bank loans etc.) - **Training growers:** farm management, quality control & improvement (selection, grading), concrete pounds, new varieties, feed (brine shrimps) & feeding cycles, harvesting methods and post-harvest treatment (incl. seasoning, medical treatment etc.)	Availability of information on market requirements & demand conditions, training courses, business services, contacts details, events, products etc. General: better knowledge about technology, management, requirements, quality, product specifications etc. Specific: regular participation of stakeholders at NAQDA training Product: Improved quality, new varieties, better services, cost efficiency	
	Retailers Interviewed: - Negombo Aquarium - North-West Aquarium - Tertra	- growing national market – 97% of OF are for the national market - NAQDA promotes OF also on consumer level (e.g. training for household aquarium) – on national and international level - Exhibitions (EDB Aquarama, Min Visitara) - NAQDA information centre - Growing supply from growers in SL (although meaning higher competition on national market)	- low quality of OF from Pollonaruwa - high mortality (diseases, packaging, transport) - long delivery times for OF from Pol. to Colombo (due to harassment by police) - Supply from Pol. is unreliable - High transport costs	- Lack of technical know-how of growers - Most growers only work part-time – now specialisation - Growers often change collectors/buyers (no long-term business relationships) - War → checkpoints → long delivery time - Mortality: lack of medicals, no seasoning at grower level, packaging and transport - Lack of communication and info about market requirements				
	Collectors Interviewed: - Basil Fernando - Shante Rubesinghe - A. Jayaratne - S. Pattiranu - Wimalasiri - Wewettennu Farm	- Collectors have market linkages and information - Good collectors provide support services - Some do seasoning of OF - Collectors are the first step in quality control	- Strong mistrust between collectors/buyers and growers (about quality and price) - Wrong transportation and packaging - Transport often done too fast after harvesting (no seasoning and medical treatment) - Lack of information about farms/collectors - Too many bad collectors - Harassment through police at checkpoints increases delivery time and transport costs	- lack of information and communication - lack of organisation of growers (no bargaining power, no scale, no information dissemination) - Lack of own collection system of small growers - Growers have no own seasoning tanks (increases dependency) - no official recognition (Police has no prioritisation at check points) - no proper training on handling after harvest (seasoning)	**3) Strengthening organisation of small OF growers and improve capacity & services of their organisation** **4) Improve official recognition and promotion of OF sector**	- **Training collectors:** post-harvest handling, packaging & transport - **Training for association** member on SBA a capacity building - **Improving services** to members: info events, training, exposure visits, newsletter etc. - **Discourage political interference** - Promote divisional specialisation on specific varieties – association acts as roof organisation for divisional groups - Strengthening lobbying capacities towards policy makers	Improved bargaining power of small growers, internal collection/ seasoning system, official awareness through lobbying, better services for members Improved water supply Financial benefits and public support	ILO Enter-Growth OF association GA

BDS	Value Chain	Opportunities	Problems	Causes	Proposals	Activities	Expected outcome	Implementing organisation
Irrigation Department, SEEDS, NAQDA, IDB, OF Association, Mahaweli Authority, Chambers of Commerce, Rajaratha Development Bank, SME Bank, NAQDA	**Growers**	- Increasing supply basis (estimated 2000 ponds) in Pol. → good for buyers, although more competition amongst growers - Good environmental preconditions - Availability of natural feeds (e.g. blood worms) - NAQDA information centre for (intl.) buyers - NAQDA training and breeding centre	- Market access for small growers (seasonality, low prices) – mistrust towards buyers/collectors - Knowledge and skills about OF farm management - Lack of market orientation - Use of low quality breed and supply inputs - Lack of organisation - Not supportive government (esp. irrigation) policies	- communication gap between buyers and growers - lack of professional training (also lack of readiness to being trained) - Information gap: Lack of awareness of opportunities and available facilities - No official recognition (focus is on paddy production) - OF is mainly Informal business	**5) Improve industry supply and availability of financial resources (inc. insurance)**	- Make **irrigation department** aware of the needs of the sector - Declare Pollonaruwa district a **special economic zone for OF** (tax benefits for investors, subsidies for nets & equipments, provision of land, priority treatment at checkpoints etc.) - Bring forward nylon net problem to GA → DGP → national EDB forum - **Discuss police harassment** problem with chief of police - Make **development banks** (esp. SME Bank) aware of sector in Pollonaruwa and their needs (e.g. for cement tanks) - **Make supply companies aware** of business opportunities in Pollonaruwa (to send permanent agents of open retail shops) - Train supply retailers to improve **customer services** (e.g. dosage of chemicals) - Organise promotional/ **information presentations** for supply	Continued use of 6 inch nylon nets Stop of harassments Improved credit facilities for OF, more investments for quality improvement, Availability of more specialised supply for OF farming, better customer services by supply retailers	GA NAQDA training centre ILO Enter-Growth
NAQDA	**Hatcheries**	- Big market in Pol. - Training & breeding centre - 20 breeders in district - private laboratory planned at 28 mile post - Exporters in Colombo, Negombo develop own breeds and import quality parental stocks	- Low quality of breeding - Lack of technology - Limited varieties - Not available R&D (experiments) - Wrong feeding methods (brine shrimps)	- no quality control system - lack of technology/knowledge - wrong feed and feeding practices - Lack of linkages to a) NAQDA centre and b) large producers - No information system - Lack of awareness for business opportunities				

BDS	Value Chain	Opportunities	Problems	Causes	Proposals	Activities	Expected outcome	Implementing organisation
NAQDA	**Suppliers** Interviewed: - Lanka Medicals - Mr. Wimalasiri - Tetra - Negombo Aquarium - Prima dealers - Rice mill owners - North-West Aquarium - NAQDA	- growing market in Pollonaruwa supply equipments - suppliers are willing and ready to come - Wholesalers from Colombo ready to support new supply retailers on 2-month credit basis	- No presence of special OF supply agents/ retail shops - High costs due to long transport from Colombo - lack of knowledge/information about industry and its needs and requirements - Price variation amongst supply retailers - Suppliers only interested in selling quantity - Government plans to ban 4-inch nylon nets (used to cover ponds) - Lack of water supply	- Information gap between suppliers and growers - Suppliers are not aware of growing sector with market potential and supply needs - Oligopoly of few retails in Polonnaruwa - Water/nets: interest conflict between inland fisheries and OF - Lack of industry lobbying - Insufficient customer services (e.g. giving advice on proper use of chemicals)	**6) Introducing new and high quality OF varieties to Pollonaruwa** (additional activities) **7) Increase trust and promote formalisation of relationships between buyers and growers** (additional activities)	companies in Pollonaruwa (subsidies could be provided) - Explore private sector alternatives for nylon net problem (e.g. subsidised greenhouse nets) - Invite OF suppliers to **SME fair**, Pul.Nav. - **Link interested retailers to OF wholesalers** in Colombo that provide 2-month start-up credit basis - **Promote selling** of quality breed stocks as business opportunity amongst existing 20 hatcheries in Pollonaruwa - **Training hatchery owners** at NAQDA training centre: breeding and selling new varieties for export (especially from SL) - **Link hatchery owners** in Pollonaruwa to large retailers and exporters with own breeding facilities (exposure visits) - Promote **formal business agreements/ contracts** between growers and buyers for mutual benefit (improve reliability of supply for buyers, improve price and support services for growers)	More varieties, higher quality, increased exports Improved relationships (trust), better embedded services	NAQDA

Checklist

5.4 Final Checklist

The following checklist will help you to prepare for your *Results Workshop* and achieve the objectives as mentioned in *Section 5.1*.

No.	Task	Completed		Remarks
		Yes	No	
Preparation				
1	*Value-added (5.3.2):* Have you prepared a map that illustrates the value addition along the VC in advance? (in case you have the information required). Make a print-out for the workshop.			
2	*Governance (5.3.3):* Have you prepared the alternative value chain map (*Annex 1*) and identified value chain governance for individual chains? Make a print-out for the workshop.			
3	*Documentation:* Have you prepared your evaluation sheets and results wallpapers (see 4.4.5) that document the findings of your interviews and focus group discussions?			
4	*Participation:* Have you invited all team members – core *and* support team – to the workshop? Are *all* active members participating?			
5	*Time frame:* Have you ensured that every team member has time for a full-day workshop?			
6	*Logistics:* Do you have all equipment and materials as described in 5.3.2?			
7	*Workshop procedure:* Have you prepared an agenda? Are you sure about the procedure – from evaluation of findings to formulating proposals?			
8	*Action Plan:* Have you prepared a large Action Plan wallpaper that you can use during the workshop?			
Workshop				
9	Are all participants informed about the objectives of the Local-VCD Results Workshop?			
10	Have you filled out the Action Plan by first looking at opportunities and constraints,			

No.	Task	Completed		Remarks
		Yes	No	
	then causes, then Proposals, then Activities and finally expected outcome?			
11	Did you use your evaluation sheets, results wallpapers and personal notes during the workshop?			
12	Have you as a team leader ensured through constant intervention and moderation that the five triggers of value chain development are considered for the formulation of proposals?			
13	Have you delegated responsibilities for the *Results Presentation* and prepared handouts and other presentation materials (e.g. Powerpoints)?			

Module 6

Module 6: Results Presentation and follow-up



6.1 What is a Results Presentation and follow-up?

! Attention

The *Results Presentation* is the end and beginning at the same time: It is the formal end of your Local-VCD series of workshops, interviews and exercises and presentation of your findings and proposals, but the beginning of local value chain development.

Presentation of findings and proposals

At the *Results Presentation* you will present the findings of your Local-VCD research (Module 4 and 5) as well as the proposals and activities to address the identified opportunities and constraints. Your *Action Plan* will serve as a summary and basis for discussion.

Beginning of Local-VCD

Local value chain development itself only starts with the Results presentation. The most important objective of your presentation is to stimulate a discussion on the basis of your *Action Plan* and to motivate stakeholders to take over responsibility for the implementation of certain activities. The important question is: "Who does what and when?" In the best case, you will be able to fill out column 7 'Implementing Organisation' in your *Action Plan*.

Follow-up

After the presentation comes the follow-up. Most probably you will not be able to get direct commitment for the implementation of specific activities by the stakeholders – but you will get a lot of approval and expression of support. Contact the participants

and stakeholders again and discuss with them about their role in the implementation of certain proposals.

The Results Presentation will be attended by all value chain stakeholders – including also business stakeholders from outside and at the upper (or lower) end of the chain, plus business service providers, political decision-makers and government officials and representatives of authorities. Media should be invited to cover the presentation. This will also serve as an incentive for top-level officials and business stakeholders to attend the presentation.

Table 6.1: Action Plan

1	2	3	4	5	6	7	8	9
Business support services	**Value chain (key stakeholders)**	**Opportunities & constraints**	**Causes for constraints**	**Proposals to address constraints**	**Activities**	**Implementing organisation**	**Time frame**	**Expected outcome**
	Consumer	Findings	Cause(s)	Proposals	Activities	Name	Time	Outcome
BDS, SBAs…	Retailers	Findings	Cause(s)	Proposals	Activities	Name	Time	Outcome
BDS, SBAs…	Wholesalers	Findings	Cause(s)	Proposals	Activities	Name	Time	Outcome
BDS, SBAs…	Producer	Findings	Cause(s)	Proposals	Activities	Name	Time	Outcome
BDS, SBAs…	Collector	Findings	Cause(s)	Proposals	Activities	Name	Time	Outcome
BDS, SBAs…	Farmers	Findings	Cause(s)	Proposals	Activities	Name	Time	Outcome
BDS, SBAs…	Suppliers	Findings	Cause(s)	Proposals	Activities	Name	Time	Outcome

Results Presentation

6.2 Why do a Results Presentation and follow-up?

The reasons for conducting a Results Presentation can be summarised in three words: publicity, motivation and commitment.

Publicity The *Results Presentation* has – similar to the *Start-up Workshop* (*Module 3*) – a strong publicity function. Why not start local value chain development with a big bang?! For everyone to know that something is happening and to commit stakeholders for taking action on certain proposals. This underlines the importance of inviting local media to the event.

Motivation Similar it is important to invite top-level decision-makers and business stakeholders in order to demonstrate local small and medium entrepreneurs that the project is supported by decision-makers and that the proposals have a good chance of being implemented. Apart from publicity, the *Results Presentation*

therefore has a strong motivational function.

Commitment Translating motivation into real commitment is the object of your follow-up. Once local stakeholders have seen that there is support for the Local-VCD initiative, they will be much more willing to take over responsibility for the implementation of certain activities. You therefore need to discuss these individually or at a follow-up meeting with a particular organisation or group of stakeholders.

6.3 How to conduct a Results Presentation and do follow-up

6.3.1 Whom to invite to the Results Presentation

It is important that you invite the participant of the *Results Presentation* already during your research (*Module 4*), when you directly interact with them in interviews and focus group discussions. A personal invitation always works better than sending a formal letter later, when the interviewee has perhaps already forgotten about your interview.

Short before the presentation, give all stakeholders a phone call and ensure their participation. The following *Table 6.2* summarised all stakeholder which should be invited.

Checklist

Table 6.2: Whom to invite to the Start-up workshop

Value Chain Stakeholders	**Buyers:** Retail companies, exporters, local collectors, traders, lead firms/foreign buyers **Suppliers:** Supply companies, (local) supply retailers **Local enterprises:** SMEs & Large-scale enterprises **Other enterprises** (not-local producers)
Business support services	**BDS providers:** Consultants, training & skills, technical support services, banks & insurances **Business association:** Small business associations, chamber of commerce, national/regional industry bodies/ associations **Other support services:** Accreditation agencies, etc.

Government officials & authorities	**Local administration:** Responsible departments, extension services, head of local/ district administration **National/regional administration:** Responsible ministry, the minister himself, parliamentarian
Public sector	**Institutions:** Training & education, research & development **NGOs & donor organisations**
Media	**Journalists from:** Local newspaper, local/regional Radio, local/regional TV, (internet portals), etc.

6.3.2 Results Presentation

The Results Presentation should not take more than 2 hours (including a small snack or meal). Keep in mind that you do not want to waste people's time. The following agenda is suggested for the Results Presentation:



No.	Time	Title	Remarks
1	15 min	Welcome Addresses	Ask one or two of the top-level guests to give a welcome address. This will help to underline the importance of the event and demonstrate support from decision-makers.
2	5 min	Introduction to Local-VCD	Give a brief explanation of your Local-VCD project: What is Local-VCD? What have you done in the past weeks? And what are the objectives?
3	10 min	Presentation of value chain map	Show your value chain map and explain it shortly. Describe the activities taking place at different levels and *where* these activities are taking place. Also say, *why* you have chosen this particular sector. You could give a hand-out with the map to the participants.
4	15 min	Constraints and opportunities	Using your Action Plan (maybe initially blinding out columns 5-9) explain the main opportunities and constraints and their causes that you have identified during your value chain analysis. Distribute copies of your Action Plan – it is important that the participants can take the plan with them.

No.	Time	Title	Remarks
5	15 min	Proposals & Activities	Then, how are you going to address these opportunities and constraints. Introduce one proposal and its respective activities after the other. Again, use your Action Plan. For presentation purposes you can either use your Action Plan wallpaper or a Powerpoint slide.
6	15 min	Discussion on the Action Plan, Q&A	Now it is time for the participants to ask questions and discuss your proposals. *You have to watch out, that the discussion is about the proposals, not about further problems. The idea is to make people talk about solutions – not problems.*
7	15 min	Way-forward	Try to get people committed to your proposals and even specific activities. In the best case, you will be able to add further names into the column of 'implementing organisations' in your action Plan. Also discuss with the participants the next steps: follow-up meetings etc.
8	10 min	Closing Addresses	Ask one of the special guests to give a closing address in which he/she emphasises the need to take up the proposals and implement them as soon as possible. This person should again express support for the Local-VCD.
	30 min	Snacks, lunch or dinner	Give people time and a platform to discuss your proposals informally in small groups. Therefore offer drinks and snacks or a meal after the presentation.
Total: 130 min			
9		Evaluation & Follow-up	See 6.3.3

6.3.3 Press Kit

You need to prepare a nice map for journalists that contains the most essential information:

Press release On one paper shortly summarise: What is Local-VCD (the objectives)? Why have you chosen your sector? How have you conducted your Local-VCD project (workshops, interviews, etc.) and with whom? What is the outcome of your project? And what will happen next?

Value chain map	Add a handout of your value chain map
Action Plan	Add a copy of your Action Plan
Results Presentation Agenda	Journalists also require some information about the event itself. The best is you add the agenda for the *Results Presentation*.
Information about Local-VCD	Add one or two pages to the map on which Local-VCD is explained: The objectives (targets, see section 3, Part I) and the methodology (means, see section 4., Part I).
Information about your organisation	Also provide some information about your organisation. Maybe you have a flyer or a brochure with nice pictures to add.

6.3.4 Follow-up

There is no formula for successful follow-up and implementation. Much will depend on your personal commitment and management. Use your Action Plan as a tool with which to monitor the implementation of your proposals. You could even add further columns such as

- Estimated budget – for the implementation of specific activities
- Time frame – further specify the date of beginning and ending
- Target group – which group do specific activities target (beneficiaries)
- Etc.

After the *Results Presentation*, you will have to immediately contact and meet stakeholders individually (or in their groups) to discuss their role in the implementation of proposals. Always keep in mind, that it is not you who is supposed to implement the proposals, but the stakeholders themselves! In our experience it has also proven to be useful to conduct follow-up workshops with specific value chain stakeholders to clarify and discuss further matters with regard to implementation.

It will be difficult to convince large enterprises from outside of the local economy to become engaged in your Local-VCD initiative. That is also why you should have categorised your proposals into primary (implementable by the local business community) and secondary (targeting other value chain levels). However, in order to convince large enterprises, you would probably need information that makes the local sector attractive to them as a market or a supply source. A further meeting at which you personally present and discuss your findings to the manager

would be useful. *Make sure that your underline that Local-VCD is also for the benefit of his/her company!*

Checklist

6.4 Final Checklist

The following checklist helps you to prepare for the *Results Presentation* and achieve your objectives:

No.	Task	Completed		Remarks
		Yes	No	
1	Have you prepared handouts – value chain map and Action Plan?			
2	Have you prepared the Action Plan as large wallpaper or Powerpoint slide?			
3	Have you delegated responsibilities to your team? One or two could present for example the VC map, whereas other present the opportunities & constraints etc.			
4	Did you invite special guests (local/regional top-level decision-makers) and asked them to give a welcome (or closing) address?			
5	Have you personally invited all stakeholders mentioned in *Table 6.2*?			
6	Did you invite Media? Did you prepare a media information map with a short press release, essential information on L-VCD, the VC map and the Action Plan? See 6.3.3			
7	Did you carry out the agenda as suggested in 6.3.2?			
8	Did you make sure that the discussion and Q&A focussed more on solutions rather than problems?			
9	Did you make appointments with some participants immediately after the presentation?			
10	Have you put up your Action Plan visibly in your office for implementation and follow-up?			

Annex

Contents

Annex 1: Alternative Value Chain Maps

1.1 Example value chain Map 1 (Kurunegala diary sector)
1.2 Example value chain Map 2 (Kurunegala diary sector)
1.3 Example value chain map 1 (Kalpitiya vegetables sector)
1.4 Example value chain map 2 (Kalpitiya vegetables sector)
1.5 Example value chain map 1 (Anuradhapura tourism sector)
1.6 Example value chain map 2 (Anuradhapura tourism sector)

Annex 2: Format for Focus Group Discussions with local producers

Annex 3: Interview Guideline for local producers

Annex 4: Interview Guideline for collectors and other intermediaries

Annex 5: Interview Guideline for larger producers (same are as the target sector)

Annex 6: Interview Guideline for exporters

Annex 7: Interview Guideline for (large) retailers and other buyers

Annex 8: Interview Guideline for supply retailers and companies

Annex 9: Interview Guideline for BDS providers

Annex 3: Template for Star Diagram

Annex 1: Alternative value chain maps

In the following, an alternative way of constructing a value chain map is described. You can use the steps in your build-up or Hypothesis Workshop. Value chain map 1 is especially useful, if you want to illustrate the number of individual chains and markets into which your local target sector feeds.

Value Chain Map 1

Value Chain map 1 illustrates the process, main stakeholder within the value chain(s) as well as number of value chains.

Step 1 Start by identifying the end product (or service) that will be going to consumers and work backwards from there. Write down the name(s) of that product(s) on a card and in the circle on the value chain in *Box 1.1* below.

Step 2 Once you have identified the end product, ask "What happens to the product (or service) right before it gets here?" Write this answer on a card and also fill it into the process box before the end product on the next page. Ask that question again and fill in the box before the process box and write it on another card. Do this until all the processes have been captured. Some examples of processes are: distribution, marketing and packaging, transporting, processing, collecting, planting, raw material supply.

Step 3 Now look at all your processes and identify what companies are involved in each process. Identify other members of the chain and their roles. Write down all the names that come into your mind on cards as well as into the open space beside the process (*Box 1.1*).

Step 4 Dealing with "collective value chains" (as opposed to individual enterprise value chains), makes it necessary to identify the different markets on which the product is sold and the different channels through which it reaches there (means: identifying the number of value chains for a particular sector). Therefore: Ask yourself where the product can be bought. A classical distinction would be between local, regional, national and international markets. Write down the markets on cards as well as into the circles in *Box 1.2*.

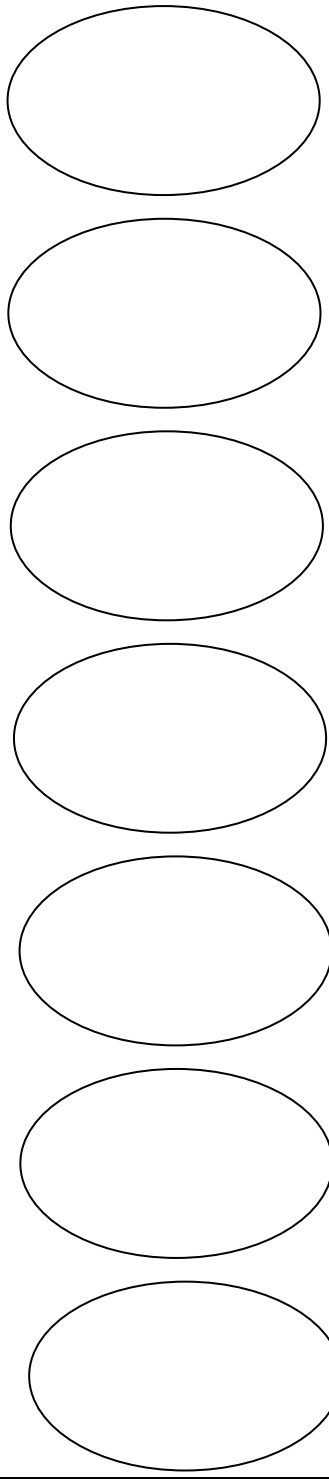
Step 5 Align the market cards next to each other. Now take the cards with the names from companies (from step 3) and link them to specific markets. Make sure that you keep the order of the process under every market. Note: Some companies (especially larger ones) will supply to several markets simultaneously. You can also enter the names into the open space under the markets in *Box 1.2*.

Box 1.1

End Product / Service:

Process

Names of Enterprises



_____

_____

_____

_____

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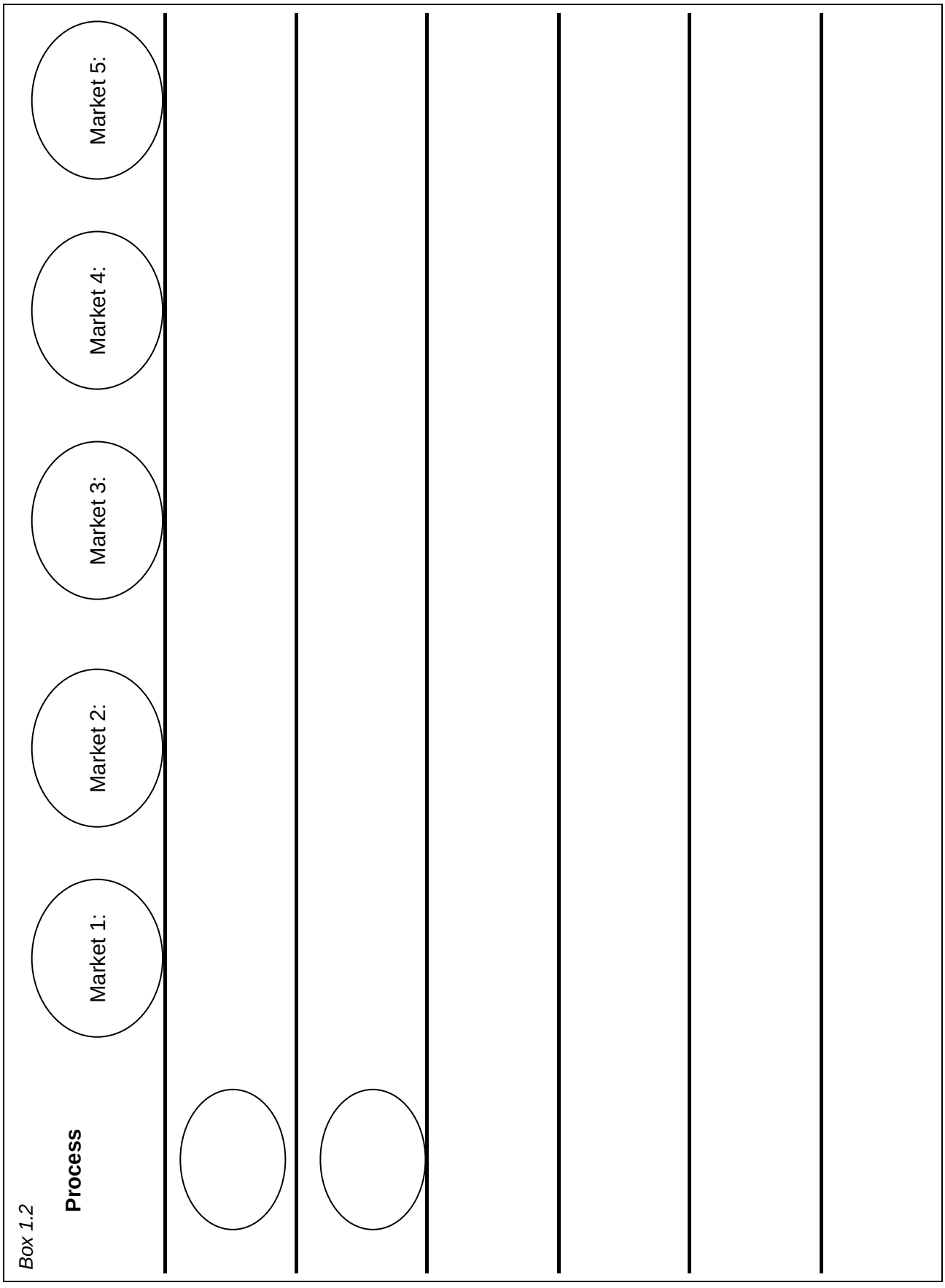
_____

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Box 1.2
Process
Market 1:
Market 2:
Market 3:
Market 4:
Market 5:

Value Chain Map 2

Value Chain Map 2 illustrates business services and supply industries for different levels of the value chain.

Step 1 Take the process from value chain map 1 (Step 2, *Box 1.1*): Write down the steps of value chain map 1 to cards (and into *Box 1.3*) and put them in one row in front of you.

Step 2 Write down the names of all business services and supply industries that come to your mind and that are located along different levels of the value chain to cards.

Business services

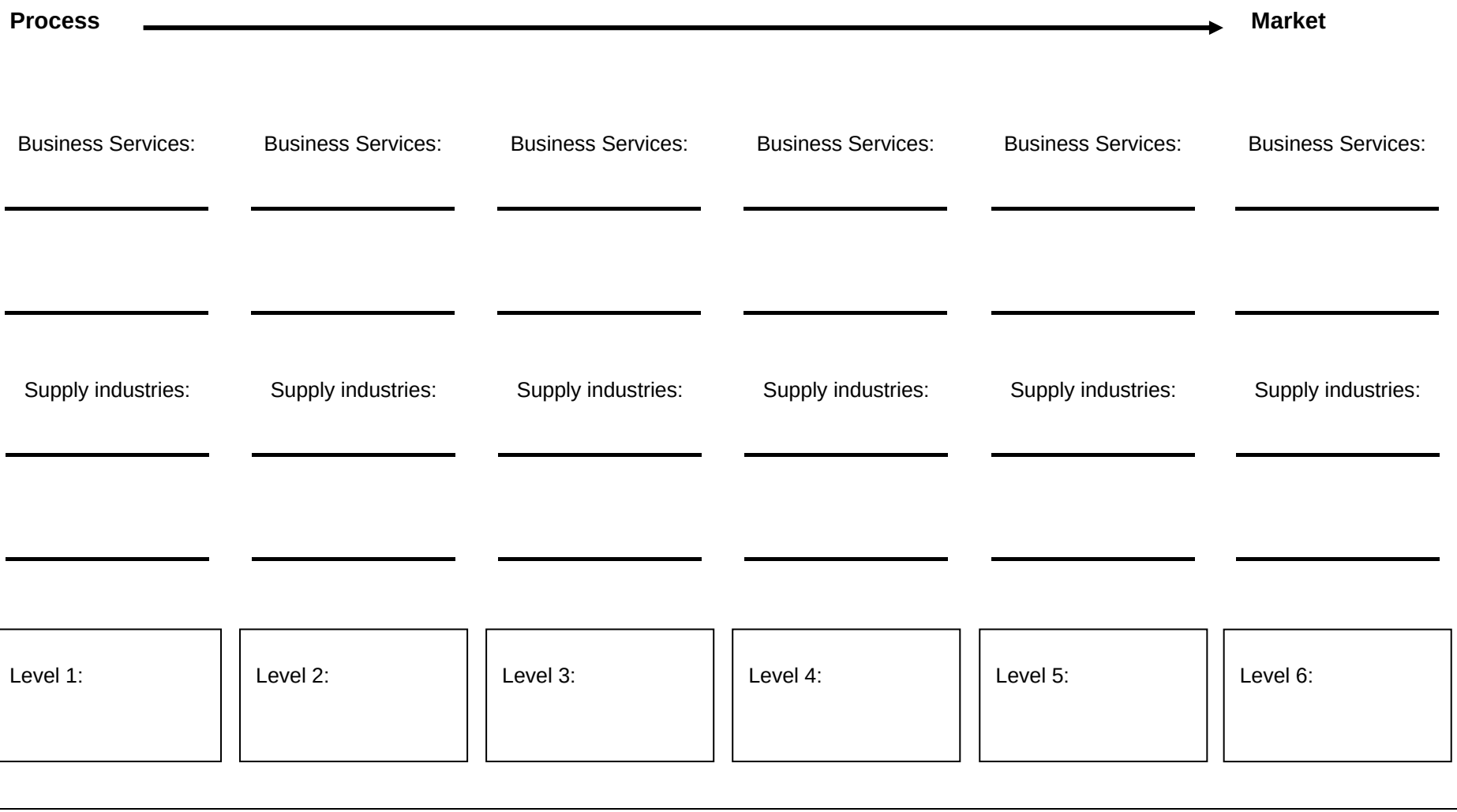
Business services is used in a very broad sense in this context: business and technical training provided BDS providers; schools, technical colleges and higher education institutions such as universities; government authorities such as EDB and IDB; ministries that provide regulations and extension services, business associations and SME organisations; industrial councils; ministerial taskforce groups; private sector consultants; R & D institutions; internet platforms (e.g. online support)

Supply industries

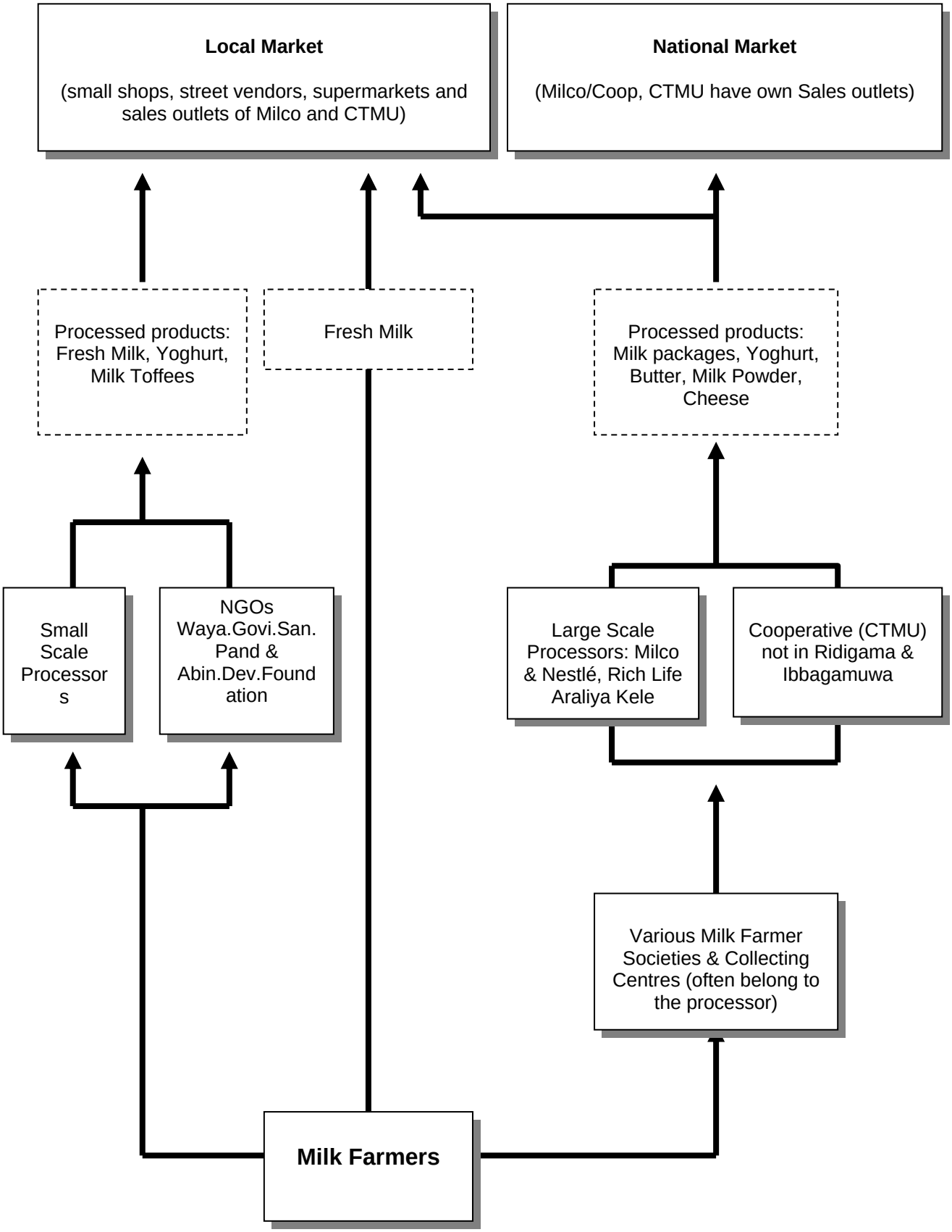
Examples for supply industry include: packaging, transport companies, equipment and input suppliers, raw material supply, marketing and advertisement providers, banks & insurances, etc.

Step 4 Take the cards and allocate them to different levels of the value chain. Some of the providers and suppliers might be situated along several levels. You can also fill in the names in the open space in *Box 1.3*. Then take a look at the map again and think of BDS providers and suppliers that you have maybe forgotten.

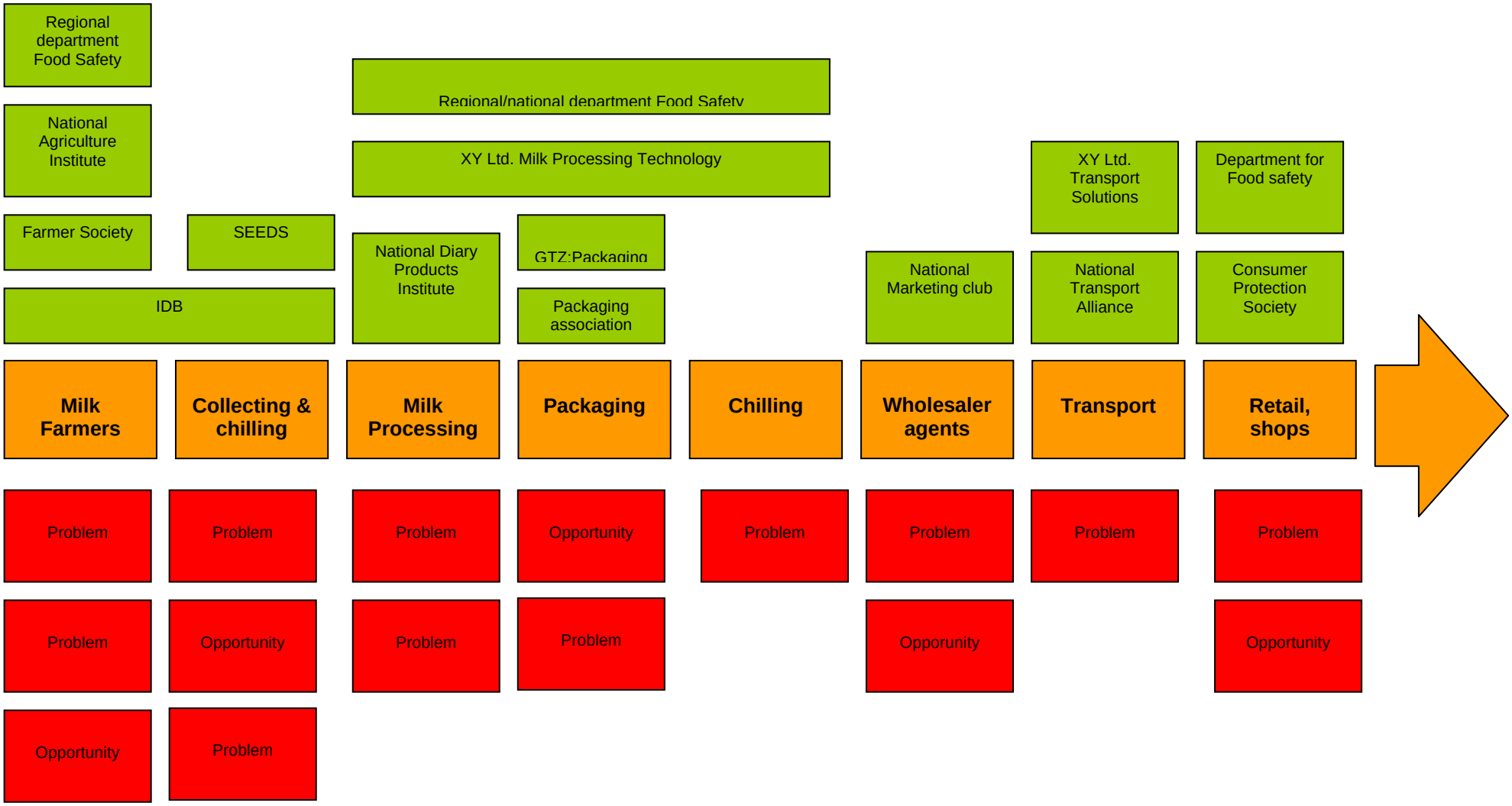
Box 1.3


Process
Market
Business Services:
Business Services:
Business Services:
Business Services:
Business Services:
Business Services:
Supply industries:
Supply industries:
Supply industries:
Supply industries:
Supply industries:
Supply industries:
Level 1:
Level 2:
Level 3:
Level 4:
Level 5:
Level 6:

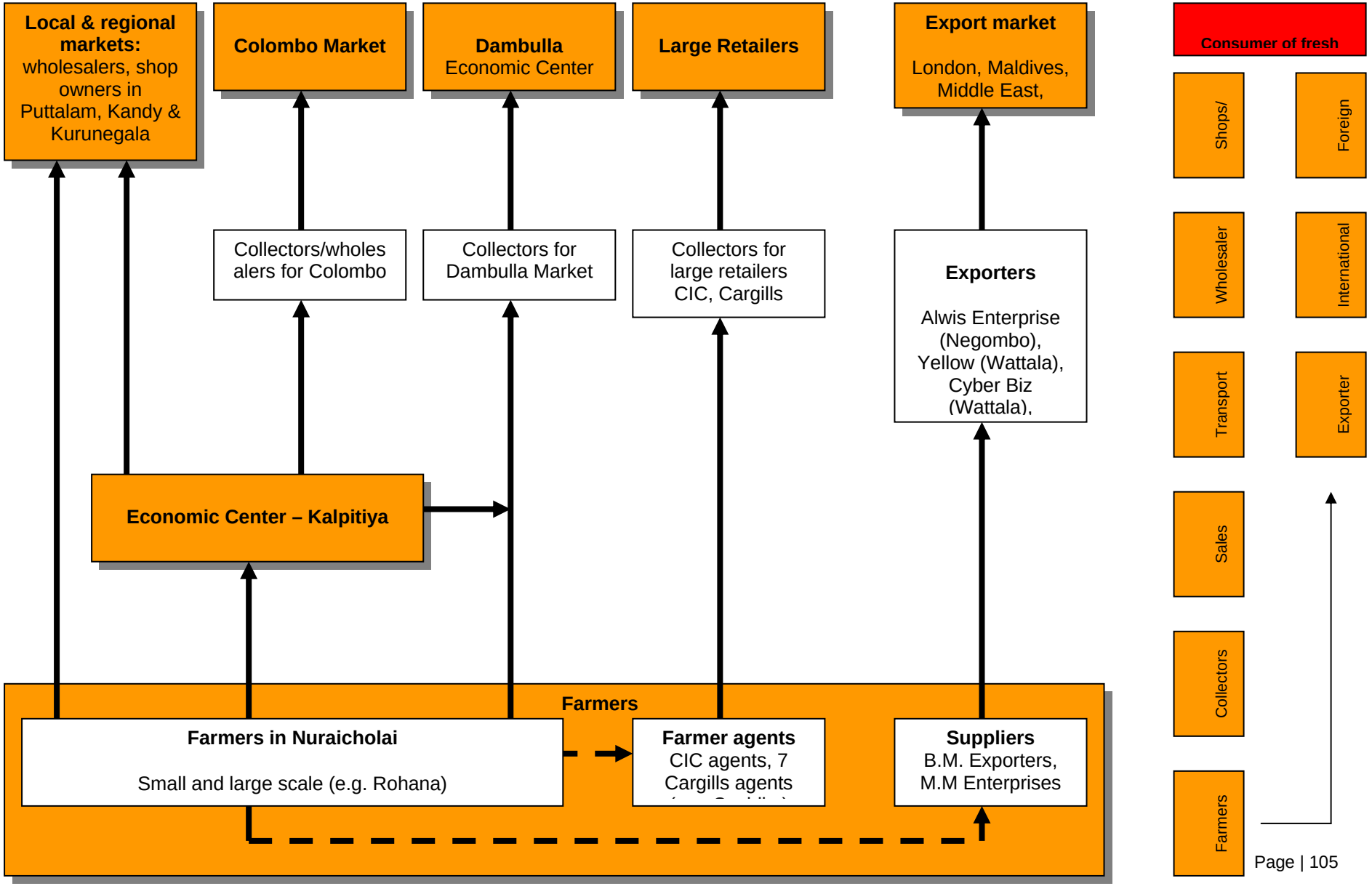
Annex 1.1: Example Value Chain Map 1 (Kurunegala dairy sector)



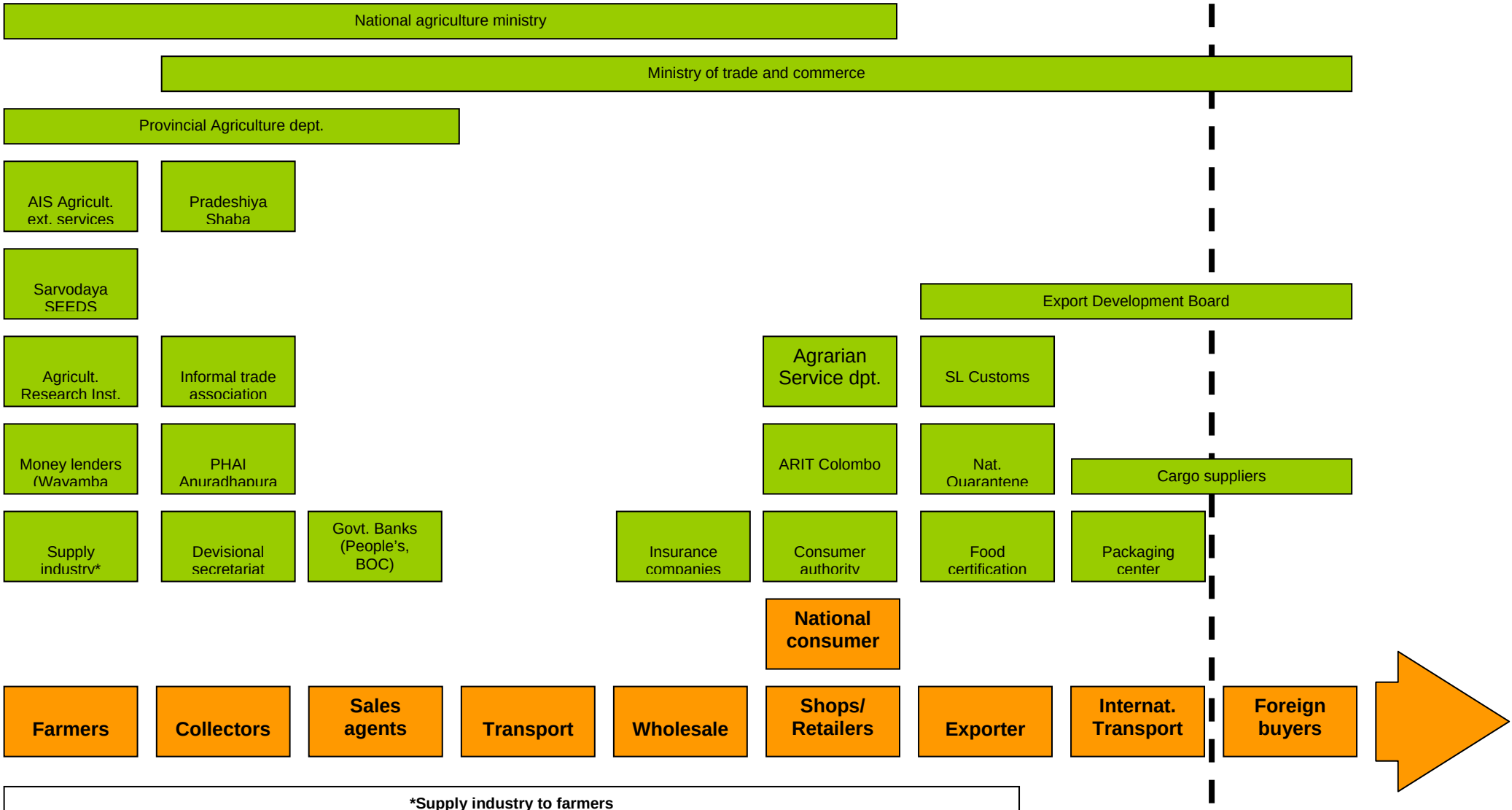
Annex 1.2: Example Value Chain Map 2 (Kurunegala dairy sector)



Annex 1.3: Example Value Chain Map 1 (Kalpitiya vegetable sector)



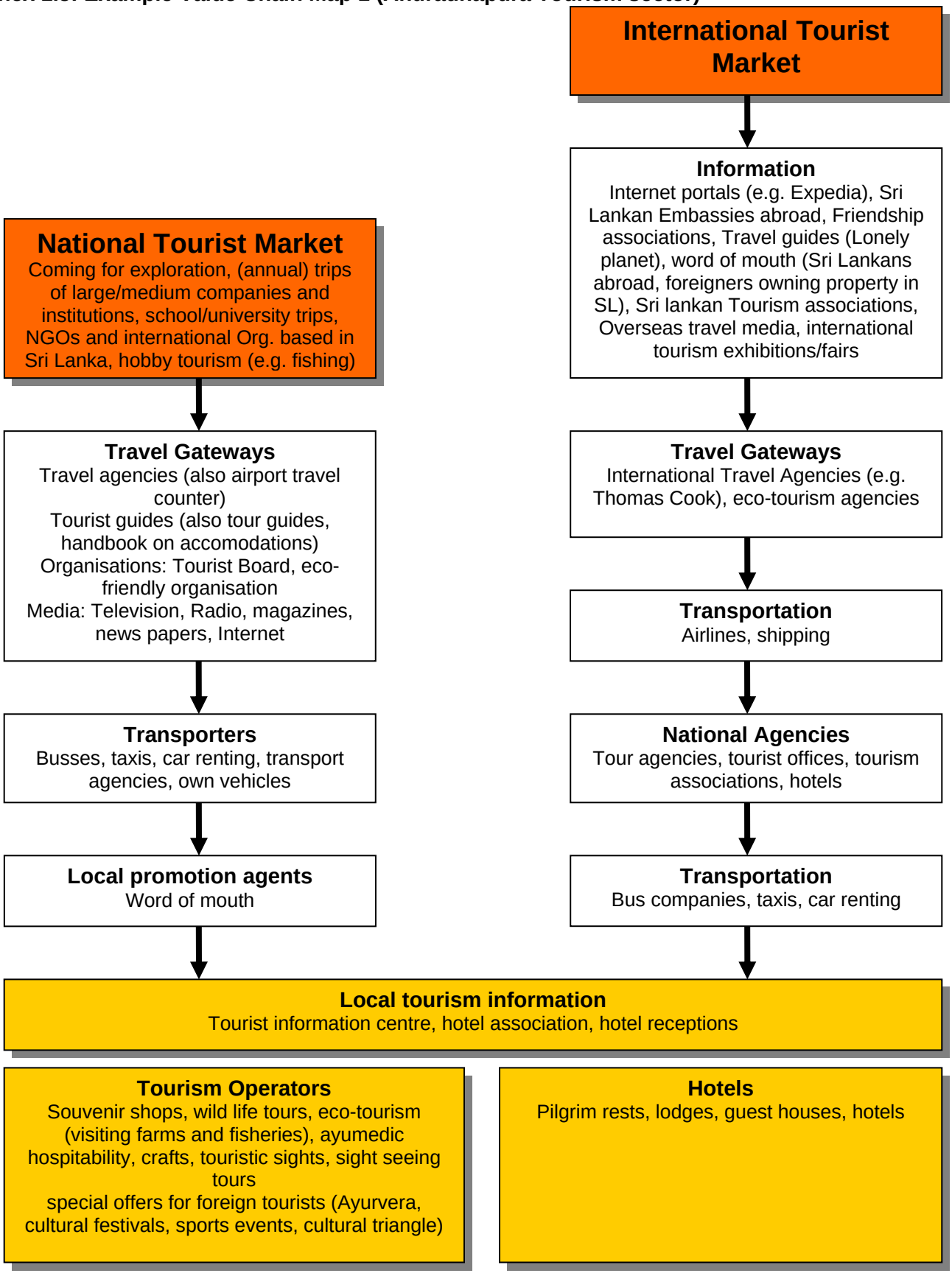
Annex 1.4: Example Value Chain Map 2 (Kalpitiya vegetables sector)



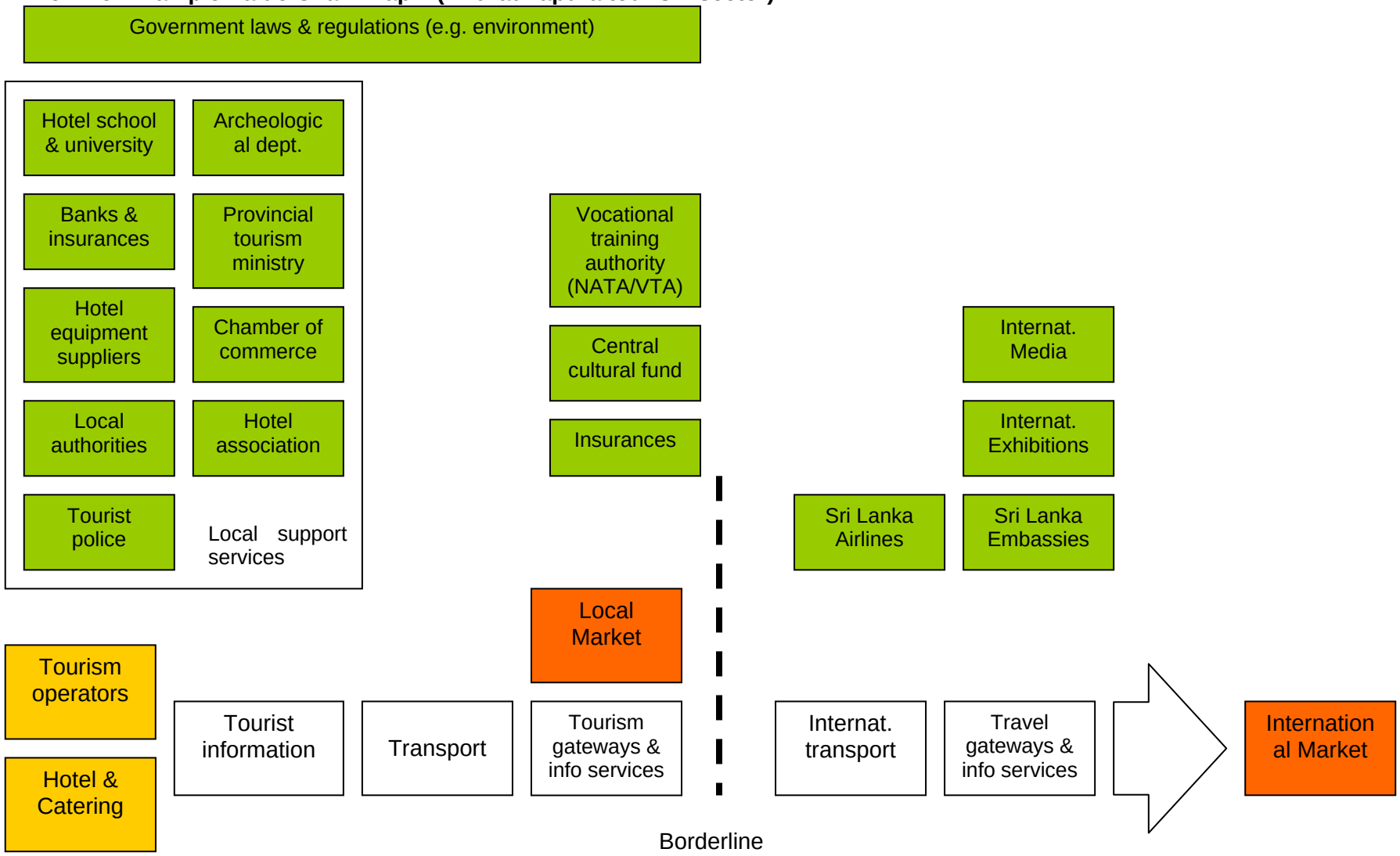
***Supply industry to farmers**

CITI Garden (drip irrigation), HRDI at Gannoruwa. Haylese agrotechnical Equipment (e.g. water pumps), CIC seeds supplier (Nihal Seridan), CIC (Pvt) Ltd. (Agr. Chemicals, fertilizers, equipment), Spectra for equipments, jinaseana (equipments), Swashakthi Medura (equipments), Unipower (Pvt) Ltd. (fertilizer), ANTON (drip irrigation), IRRITEC (drip irrigation), Baurs (Pvt) Ltd. (chemicals, fertilizers, equipments), EB cream and I cell solar (solar panel providers)

Annex 1.5: Example Value Chain Map 1 (Anuradhapura Tourism sector)



Annex 1.6: Example Value Chain Map 2 (Anuradhapura tourism sector)



Annex 2: Format for focus group discussions with local producers

<table>
<tr><th>Time</th><th>Activity</th></tr>
<tr><td>10 min</td><td>Introduction
Show participants the value chain map of their sector and explain it to them as well as the purpose of the Local-VCD project (see Part I, 3). If necessary ask them again whether the steps and the key stakeholders have been correctly identified.

Explain to the participants that it is important now to understand their position in the value chain and the particular challenges and opportunities.</td></tr>
<tr><td>15 min</td><td>1. Market access (card exercise)
With regard to the selling of your products/services and your buyers, what are the strengths and weaknesses?</td></tr>
<tr><td>15 min</td><td>2. System efficiency (Q&A)
2.1. The following questions can be printed out and given as a questionnaire to the participants or serve as basis for a joint discussion.

2.2. How do you interact with your buyer(s)?
O
Directly, face to face Through an intermediary (e.g. collector)

2.3. How often do you meet your buyer(s) to discuss business related matters and exchange new information?
<table><tr><td>Daily</td><td>Once per week</td><td>At least once per month</td><td>At least once every three months</td><td>Other (specify)</td></tr><tr><td></td><td></td><td></td><td></td><td></td></tr></table>
2.4. What kind of information do you get from your buyer(s)?
<table><tr><td>Information about new market trends</td><td>About market requirements (e.g quality standards)</td><td>About new technologies and methods</td><td>About available business services</td><td>About costs and prices</td></tr><tr><td></td><td></td><td></td><td></td><td></td></tr></table>
2.5. Is this information enough? Please specify

2.6. What kind of information do you get from your suppliers?
<table><tr><td>Information about their products & services</td><td>About new technologies and methods</td><td>About available services</td><td>How to use and maintain input factors (e.g. machines)</td><td>Other</td></tr><tr><td></td><td></td><td></td><td></td><td></td></tr></table>
2.7. Is this information easily available? If no, why not?</td></tr>
</table>

2.8. What other sources of information do you have (e.g. for market information, new technologies etc.)? Specify

BDS providers	Extension services	Media	NGOs & development agencies	Others (specify)

2.9. Which of these sources is the most important?

2.10. What is the nature of relationship between you and your buyer(s)?

- O Formal contract
- O Buyer dictates the terms
- O You can easily find another buyer
- O You are satisfied
- O or verbal agreement
- O or equal rights relationship
- O or you are bound to a particular buyer (for various reasons)
- O or not satisfied with the business relationship

2.11. How long does it take to fulfil the order of a buyer (days between order and delivery)

1-3 days	3-5 days	A week	Two weeks (specify why)	More (specify why)

2.12. Can you always fulfil the order (i.e. meet the buyers' requirements in terms of quantity and time)?

O	O
Yes	No, you had to reject some orders. Why?

2.13. Are you flexible enough to react to changing orders (e.g. an increase/decrease in quantity, a sudden and unexpected order, or shipment to other destinations)

O	O
Yes	No. Why not? (Specify)

2.14. Does your buyer or your supplier of input factors provide you with certain services? If yes, what kind of services (e.g. loans, training, maintenance services, equipment, marketing support etc.)?

15 min

3. Evaluation of target sector (card exercise)
Looking at their own businesses within the value chain, what are the particular strengths and weaknesses?

15 min

4. Product quality and specifications (Q&A)

4.1. Describe the product/service which you sell.

4.2. What is the price to which you sell one item (or the price for your 3-5 main items)?

4.3. What are your 3-5 main cost factors? Give an estimate on how much you spend on them

4.4. If you have to evaluate your own performance, what grades would you give yourself? (1 = very bad, 2 = bad, 3 = average, 4 = good, 5 = very good)

	1	2	3	4	5
Quality					
Reliability					
Price					
Design					
Delivery time					

4.5. Are you aware of international/national standards and regulations for your field of business (e.g. ISO norms, GAP, GMP, quality standards and laws, etc.)

O Yes. What are these standards? Describe below

O No

4.6. What requirements do your buyers have?

4.7. Do you regularly change the specifications of your product/service according to new trends and developments on the market? (e.g. the design of a product)

4.8. What kind of packaging materials do you use for your product?

4.9. How do you transport your products to the buyer/market?

15 min

5. Supply industries (card exercise)

With regard to supply industries and input factors (for this particular level of the value chain): what are the strengths and weaknesses?

Careful not to confuse supply industries with support services

15 min

6. Product differentiation – competition (Q&A)

6.1. Who are your main competitors (either names of companies, or other regions that produce similar products/services)?

6.2. Is there competition between you and other producers for buyers here in the same region?

6.3. Do you know the price at which your competitors sell their products/services? If yes, what is the price?

6.4. From where do you get knowledge about how to improve your products and services (to make them more competitive)?

	<table><tr><td>Research and development Institutions (e.g. universities)</td><td>Extension services</td><td>Private BDS providers</td><td>Own research</td><td>Other sources</td><td>I have no research and development at all</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr></table> 6.5. What makes your product different from that of competitors?
15 min	**7. Local competitive advantage (card exercise)** What is the competitive advantage of your sector here in this specific locality? Name a few factors that distinguish you from your competitors.
5 min	**8. Labour Practices** 8.1. Mow many workers do you employ? 8.2. Have you signed a contract with them, which specifies the responsibilities of both sides (i.e. employer and employee)? 8.3. Are there any health hazards within the workplace? And if yes, how do you provide protection for your workers? (e.g. masks, training, body protection etc.) 8.4. How high are your costs for labour? 8.5. Are you satisfied with the productivity of your workers? O Yes O No. Why not?
15 min	**9. Business environment and support services (card exercise)** With regard to available business support services (government extension, BDS, Banks, etc.) and the policy and regulatory framework for your sector, what are the strengths and weaknesses? Attention: Also ask for the availability and capacity of SME organisations and representation.
Total 130 min	

Annex 3: Interview guideline for local producers

The following questionnaire can be used as a guideline for interviews with small producers (as alternative or addition to the focus group discussion above). Keep your watch in eyes' view: with consistent time management you will able to get through the interview within 30 to 45 minutes.

Activity
Introduction Show the producer the value chain maps of their sector and explain it to them as well as the purpose of the Local-VCD project (it's all about becoming more competitive!). If necessary ask them whether the steps and the key stakeholders have been correctly identified. Explain to the producer that it is important now to understand *his* position in the value chain and the particular challenges and opportunities.
1. Product quality and specifications (Q&A) Start by asking the producer to show and explain to you the products which he produces and sells. It is always best to start the interview with a topic in which the interviewee is safe. 1.1. Describe the product/service which you sell. 1.2. What is the price to which you sell one item (or the price for your 3-5 main items)? 1.3. What are your 3-5 main cost factors? Give an estimate on how much you spend on them 1.4. Are you aware of international/national standards and regulations for your field of business (e.g. ISO norms, GAP, GMP, quality standards and laws, etc.) O Yes. What are these standards? Describe below O No 1.5. What requirements do your buyers have? (e.g. with regard to quality, delivery time, reliability, health standards, production standards etc.) 1.6. Do you regularly change the specifications of your product/service according to new trends and developments on the market? (e.g. the design of a product) 1.7. What kind of packaging materials do you use for your product? 1.8. How do you transport your products to the buyer/market? 1.9. With regard to your production: What are the strengths and weaknesses? 1.10. Do you have any suggestion on how to address the weaknesses?

2. Markets & System efficiency

2.1. Who are your buyers? Do you export (if yes, to which countries)?

2.2. How easy is it to find buyers? What kind of difficulties do you face?

2.3. How do you interact with your buyer(s)?

O Directly, face to face

O Through an intermediary (e.g. collector)

2.4. How often do you meet your buyer(s) to discuss business related matters and exchange new information?

Daily	Once per week	At least once per month	At least once every three months	Other (specify)

2.5. What kind of information do you get from your buyer(s)?

Information about new market trends	About market requirements (e.g quality standards)	About new technologies and methods	About available business services	About costs and prices

2.6. Is this information enough? Please specify

2.7. What is the nature of relationship between you and your buyer(s)?

- O Formal contract
- O Buyer dictates the terms
- O You can easily find another buyer
- O You are satisfied
- O or verbal agreement
- O or equal rights relationship
- O or you are bound to a particular buyer (for various reasons)
- O or not satisfied with the business relationship

2.8. How long does it take to fulfil the order of a buyer (days between order and delivery)

1-3 days	3-5 days	A week	Two weeks (specify why)	More (specify why)

2.9. Can you always fulfil the order (i.e. meet the buyers' requirements in terms of quantity and time)?

O Yes

O No, you had to reject some orders. Why?

2.10. Are you flexible enough to react to changing orders (e.g. an increase/decrease in quantity, a sudden and unexpected order, or shipment to other destinations)

O Yes

O No. Why not? (Specify)

2.11. Does your buyer or your supplier of input factors provide you with certain services? If yes, what kind of services (e.g. loans, training, maintenance services, equipment, marketing support etc.)?

2.12. Where do you get your supply (raw materials, designs, tools, machines etc.) from? Who are your suppliers?

2.13. What kind of information do you get from your suppliers?

Information about their products & services	About new technologies and methods	About available services	How to use and maintain input factors (e.g. machines)	Other

2.14. Is this information easily available? If no, why not?

2.15. With regard to supply: What are the strengths and weaknesses?

2.16. Do you have any suggestions to address these weaknesses?

2.17. What other sources of information do you have (e.g. for market information, new technologies etc.)? Specify

BDS providers	Extension services	Media	NGOs & development agencies	Others (specify)

2.18. Which of these sources is the most important?

3. Product differentiation – competition (Q&A)

3.1. Who are your main competitors (either names of companies, or other regions that produce similar products/services)?

3.2. Is there competition between you and other producers for buyers here in the same region?

3.3. Do you know the price at which your competitors sell their products/services? If yes, what is the price?

3.4. From where do you get knowledge about how to improve your products and services (to make them more competitive)?

Research and development Institutions (e.g. universities)	Extension services	Private BDS providers	Own research & development	Other sources	I have no research and development at all

3.5. What makes your product different from that of competitors?

3.6. What is the competitive advantage of this locality? Why have you decided to produce

here?

3.7. Do you have any suggestions how the competitive situation can be improved in the local business environment? (e.g. better cooperation between producers)

4. Labour Practices

4.1. How many workers do you employ?

4.2. Have you signed a contract with them, which specifies the responsibilities of both sides (i.e. employer and employee)?

4.3. Are there any health hazards within the workplace? And if yes, how do you provide protection for your workers? (e.g. masks, training, body protection etc.)

4.4. How high are your costs for labour? (Or how much do you pay your workers?)

4.5. Are you satisfied with the productivity of your workers?

O Yes O No. Why?

5. Business environment and support services

5.1. With regard to available business support services (government extension, BDS, Banks, etc.) and the policy and regulatory framework for your sector, what are the strengths and weaknesses?

5.2. What kind of business services are available? And which ones do you make use of?

5.3. Are you member of a business association? Is there an association specifically for your sector?

5.4. Are financial resources available?

Banks	Village rotation loan schemes	Membership loans of organisations	Grants, subsidies, donations etc.	Joint venture companies	Other

5.5. Other observations:

5.6. Are you insured? Or more general: are insurances for your sector available?

5.7. What kind of support does the government provide?

5.8. Are regulatory issues and obstacle for your business? If yes, what are these regulations?

Annex 4: Interview guideline for collectors and other intermediaries

In general it is important to interview collectors and intermediaries without any prejudice. They are not “the bad guys” as often said. On the contrary:

1. Without them, many small-scale producers would not be able to bring their product to the markets.

2. Intermediaries are often important to achieve necessary quantity, that one producer alone could not achieve.

3. They would often act as a first instance in a quality control and selection process

For these reasons, intermediaries can play a potentially important role in passing on information about market requirements and new technological developments down to small producers. They cannot simply be ignored (often also because they have a certain degree of power over small producers).

So rather than trying to avoid intermediaries, we should look at the potentially constructive role that they can play in the value chain.

Activity

Introduction
Show the producer the value chain maps of their sector and explain it to them as well as the purpose of the Local-VCD project (it’s all about becoming more competitive!). If necessary ask them whether the steps and the key stakeholders have been correctly identified.

Explain to the producer that it is important now to understand *his* position in the value chain and the particular challenges and opportunities.

1. Markets & System efficiency

1.1. Who are your suppliers? From how many small producers do you collect?

1.2. How often do you collect products from your suppliers?

Twice per week	Once per week	Every two weeks	Once per month	Other (specify)

1.3. How do you collect the products?

I have a collecting centre	I go round by vehicle to collect	I do not collect, but link the producer directly to the buyer	I am a agent for a retailer/exporter	I work independently together with several buyers

Further remarks:

1.4. What is the nature of relationship between you and your suppliers?

O Formal contract O or verbal agreement
O you set the terms O or supplier sets the terms O or: both (equal rights)
O Suppliers can easily find another collector O or you are the only one to whom they can supply
O You are satisfied O or not satisfied with the business relationship

1.5. With regard to supply: What are the strengths and weaknesses?

1.6. Do you have any suggestions to address these weaknesses?

1.7. What kind of services do you provide your suppliers with

Information about market requirements and developments	Equipment and input factors for production	loans	Technical assistance and training	Other

Further remarks:

1.8. Where do you sell the collected products? Who are your buyers? Are they exporters? (if yes, to which countries)?

1.9. How often do you meet your buyer(s) to discuss business related matters and exchange new information?

Daily	Once per week	At least once per month	At least once every three months	Other (specify)

1.10. What kind of information do you get from your buyer(s)?

Information about new market trends	About market requirements (e.g quality standards)	About new technologies and methods	About available business services	About costs and prices

1.11. Is this information enough? Please specify

1.12. What is the nature of relationship between you and your buyer(s)?

O Formal contract O or verbal agreement
O Buyer dictates the terms O or equal rights relationship
O You can easily find another buyer O or you are bound to a particular buyer (for various reasons)
O You are contracted by one company O You are an independent trader with several buyers
O You are satisfied O or not satisfied with the business relationship

1.13. How long does it take to fulfil the order of a buyer (days between order and delivery)

1-3 days	3-5 days	A week	Two weeks (specify why)	More (specify why)

1.14. Can you always fulfil the order (i.e. meet the buyers' requirements in terms of quantity and time)?

O Yes O No, you had to reject some orders. Why?

1.15. Is the supply reliable or irregular?

2. Product quality and specifications (Q&A)

Start by asking the producer to show and explain to you the products which he produces and sells. It is always best to start the interview with a topic in which the interviewee is safe.

2.1. Describe the product/service which you buy and sell.

2.2. What are the main strengths and weaknesses with regard to the products that you source from this area?

2.3. What is the price to which you sell one item (or the price for your 3-5 main items)?

2.4. Do you have a grading system for quality? And what price do you pay for different quality? How do you select? Please describe:

2.5. What are your 3-5 main cost factors? Give an estimate on how much you spend on them

2.6. Are you aware of international/national standards and regulations for your field of business (e.g. ISO norms, GAP, GMP, quality standards and laws, etc.)

O Yes. What are these standards? Describe below

O No

2.7. Are your suppliers aware of such standards and regulations?

2.8. What requirements do your buyers have? (e.g. with regard to quality, delivery time, reliability, health standards, production standards etc.)

2.9. Do you inform your suppliers about the buyers' requirements and market/production standards?

O Yes

O No (why not?)

2.10. How do you transport your products?

2.11. What kind of packaging materials do you use for your product? (for transport)

2.12. Do you have any suggestion on how to address the weaknesses?

3. Product differentiation – competition (Q&A)

3.1. From which other regions do you source?

3.2. If you would have to evaluate the performance of your 5 main supplier regions along a scale of 1 (very poor) to 5 (very good), what kind of marks would you give for the following criteria:

3.3. (Put in the regions name into the correct cell – e.g. Polonnaruwa: quality 2, Anuradhapura: quality: 5, Kzrunegala: quality 3 – same with the other criteria)

Criteria	Very poor	poor	average	good	Very good
	1	2	3	4	5
Quality					
Reliability					
Flexibility					
Price					
Product design (specifications)					
Costumer service					

Note: The criteria need to be adapted to the requirements of a particular sector. This should already be done in the build-up phase

3.4. Is there competition between you and other collectors for suppliers here in the same region?

3.5. From where do you get knowledge about new developments in your trade (e.g. new products, services, technologies, methods etc.)?

Research and development Institutions (e.g. universities)	Extension services	Private BDS providers	Own research & development	Other sources	I have no research and development at all

3.6. What is the competitive advantage of this locality? Why have you decided to source products from here?

3.7. Do you have any suggestions how the competitive situation can be improved in the local business environment? (e.g. better cooperation between producers)

4. Business environment and support services

4.1. With regard to available business support services (government extension, BDS, Banks, etc.) and the policy and regulatory framework for your sector, what are the strengths and weaknesses?

4.2. What kind of business services are available? And which ones do you make use of?

4.3. Are you member of a business association? Is there an association specifically for your sector?

4.4. Are financial resources available?

Banks	Village rotation loan	Membership loans of	Grants, subsidies,	Joint venture companies	Other

	schemes	organisations	donations etc.			

4.5. Other observations:

4.6. Are you insured? Or more general: are insurances for your sector available?

4.7. What kind of support does the government provide?

4.8. Are regulatory issues and obstacle for your business? If yes, what are these regulations?

Annex 5: Interview guideline for large producers (same area of business as the target sector)

Medium to large-scale producers have already proven that they can successful run a business in the selected sector. The emphasis should therefore be on a) learning from their experiences, b) getting to know about difficulties to make business with small stakeholders, d) looking for opportunities to improve interaction between them and your target-sector stakeholders.

If you meet larger value chain stakeholder, it is important to be well prepared and equipped with some knowledge about your target sector. You will only manage to catch the attention and get the cooperation of the company, if you can explain the benefits of getting involved. You can be sure to get attention, if you can convince the manager, that there is a potential market out there.

However, at this stage you should also emphasis that the project is still in an initial stage, at which definite information about potential markets cannot yet be given. You should clearly communicate this to the manager.

Questions

Introduction
Show the manager your value chain maps of their sector and explain it to them as well as the purpose of the Local-VCD project (it's all about becoming more competitive!). If necessary ask them whether the steps and the key stakeholders have been correctly identified.

Explain to the participants that it is important now to understand *their* position in the value chain and the particular challenges and opportunities.

Ask the manager how he has started his business and what were the main success criteria for him to expand his business

1. Market access

1.1. Who are your buyers? Do you export? And if yes, which countries?

2. System efficiency (Q&A)

4.1. How do you interact with your buyer(s)?

O Directly, face to face O Through an intermediary

4.2. How often do you meet your buyer(s) to discuss business related matters and exchange new information?

Daily	Once per week	At least once per month	At least once every three months	Other (specify)

4.3. What kind of information do you get from your buyer(s)?

Information about new market trends	About market requirements (e.g quality standards)	About new technologies and methods	About available business services	About costs and prices

4.4. Is this information enough? Please specify

4.5. What kind of information do you get from your suppliers?

Information about their products & services	About new technologies and methods	About available services	How to use and maintain input factors (e.g. machines)	Other

4.6. Is this information easily available? If no, why not?

4.7. What other sources of information do you have (e.g. for market information, new technologies etc.)? Specify

BDS providers	Extension services	Media	NGOs & development agencies	Others (specify)

4.8. Which of these sources is the most important?

4.9. What is the nature of relationship between you and your buyer(s)?

O Formal contract O or verbal agreement
O Buyer dictates the terms O or equal rights relationship
O You can easily find another buyer O or you are bound to a particular buyer (for various reasons)
O You are satisfied O or not satisfied with the business relationship

4.10. How long does it take to fulfil the order of a buyer (days between order and delivery)

1-3 days	3-5 days	A week	Two weeks (specify why)	More (specify why)

4.11. Can you always fulfil the order (i.e. meet the buyers' requirements in terms of quantity and time)?

O Yes O No, you had to reject some orders. Why?

4.12. Are you flexible enough to react to changing orders (e.g. an increase/decrease in quantity, a sudden and unexpected order, or shipment to other destinations)

O Yes O No. Why not? (Specify)

4.13. Does your buyer or your supplier of input factors provide you with certain services? If yes, what kind of services (e.g. loans, training, maintenance services, equipment, marketing support etc.)?

5. Product quality and specifications (Q&A)

5.1. Describe the product/service which you sell.

5.2. What is the price to which you sell one item (or the price for your 3-5 main items)?

5.3. What are your 3-5 main cost factors? Give an estimate on how much you spend on them

5.4. If you have to evaluate your own performance, what grades would you give yourself? (1 = very bad, 2 = bad, 3 = average, 4 = good, 5 = very good)

	1	2	3	4	5
Quality					
Reliability					
Price					
Design					
Delivery time					

5.5. Are you aware of international/national standards and regulations for your field of business (e.g. ISO norms, GAP, GMP, quality standards and laws, etc.)

O Yes. What are these standards? Describe below

O No

5.6. What requirements do your buyers have?

5.7. Do you regularly change the specifications of your product/service according to new trends and developments on the market? (e.g. the design of a product)

5.8. What kind of packaging materials do you use for your product?

5.9. How do you transport your products to the buyer/market?

6. Supply industries (*ZOPP-card* exercise)

6.1. What kind of input factors do you source from other enterprises/companies?

6.2. Are some of your suppliers SMEs?

6.3. Do you face any difficulties in working together with your suppliers? If yes, what are these difficulties?

7. Product differentiation – competition (Q&A)

7.1. Who are your main competitors (either names of companies, or other regions that produce similar products/services)?

7.2. Is there competition between you and other producers for buyers here in the same region?

7.3. Do you know the price at which your competitors sell their products/services? If yes, what is the price?

7.4. From where do you get knowledge about how to improve your products and services (to make them more competitive)?

Research and development Institutions (e.g. universities)	Extension services	Private BDS providers	Own research	Other sources	I have no research and development at all

7.5. What makes your product different from that of competitors?

7.6. What is the local competitive advantage of this area in which you run your business?

8. Labour Practices

8.1. Mow many workers do you employ?

8.2. Have you signed a contract with them, which specifies the responsibilities of both sides (i.e. employer and employee)?

8.3. Are there any health hazards within the workplace? And if yes, how do you provide protection for your workers? (e.g. masks, training, body protection etc.)

8.4. How high are your costs for labour?

8.5. Are you satisfied with the productivity of your workers?

O Yes O No. Why not?

9. Business environment and support services (*ZOPP-card* exercise)

9.1. With regard to the legal and regulatory framework, have you experienced any difficulties to grow your business? If yes, what were these difficulties?

9.2. What kind of services does the (local) government provide? Are these services up-to date and useful?

9.3. Are you member of any business association? If yes, are you satisfied with the services that you receive?

Annex 6: Interview guideline for exporters

Local SMEs are often at the very bottom of global value chains. The national boundary poses a limit to Local-VCD. This is where our influence ends. The exporter however, is the link between national and international market. He sources products and services from national producers and sells them to international buyers. Often the exporter is also an importer of equipments and other input factors.

Within the interview with exporters, we therefore have five main objectives:

1. What are the requirements for export markets?
2. How does our local sector perform, compared to other regions, from which the exporter sources?
3. What are the major obstacles for export?
4. What opportunities are there on the export market?
5. Under which circumstances can the link between the exporter and our local sector be strengthened? And what can the exporter do for our sector?

Questions

Introduction
Show the manager your value chain maps of their sector and explain it to them as well as the purpose of the Local-VCD project (it's all about becoming more competitive!). If necessary ask them whether the steps and the key stakeholders have been correctly identified.

Explain to the participants that it is important now to understand *his* position in the value chain.

Ask the manager how he has started his business and what were the main success criteria for him to expand his business

Export Markets and buyer relationship

1.1. To which countries do you export? Who are your buyers there? (Name 5 main export markets)

1.2. How do you find a foreign buyer?

They find me	Personal friendship, introduced on a conference, by coincidence	International fair / exhibition	Business platform (online portals),	By BDS providers (e.g. export development board), chambers etc.

Other:

1.3. What opportunities are there on the export markets? (e.g. new markets, new products and services, increasing demand, etc.)

1.4. What kind of requirements do your buyers have? (e.g. in terms of quantity and quality, delivery time and frequency, standards and certifications,)

1.5. What kind of problems do you face, when supplying to export markets?

1.6. How do you interact with your foreign buyers?

O	O	O
I visit them personally	phone calls, emails etc.	intermediary

1.7. Do you regularly exchange information and knowledge with your buyers?

O	O	O
Yes	No	Only sometimes

1.8. What kind of information do you get from your buyer(s)?

Information about new market trends	About market requirements (e.g quality standards)	About new technologies and methods	About available business services	About costs and prices

Other information:

1.9. What is the nature of relationship between you and your foreign buyer(s)?

O Formal contract	O or verbal agreement
O Buyer dictates the terms	O or equal rights relationship
O You can easily find another buyer	O or you are bound to a particular buyer (for various reasons)
O You are satisfied	O or not satisfied with the business relationship

1.10. How long does it take to fulfil the order of a buyer (days between order and delivery)

1-3 days	3-5 days	A week	Two weeks (specify why)	More (specify why)

1.11. Can you always fulfil the order (i.e. meet the buyers' requirements in terms of quantity, quality, price and delivery time)?

O	O
Yes	No, you had to reject some orders. Why?

1.12. Do your foreign buyers provide you with certain services? If yes, what kind of services (e.g. loans, training, maintenance services, equipment, marketing support etc.)?

2. Product quality and specifications

2.1. Describe the product/service which you sell.

2.2. What is the price to which you sell one item (or the price for your 3-5 main items)?

2.3. Do you have product categories? Means do you grade products according to quality? If yes, what are these grades? And what are the selection criteria?

2.4. What are your 3-5 main cost factors (e.g. shipment, customs etc.)? Give an estimate on how much you spend on them

2.5. Are you aware of international/national standards and regulations for your field of business (e.g. ISO norms, GAP, GMP, quality standards and laws, etc.)

O Yes. What are these standards? Describe below

O No

2.6. How do you transport your products to the buyer/market?

3. Supply

3.1. Which are the main (5) regions from which you source your products for export?

3.2. What kind of difficulties do you face in working together with your suppliers (especially those of the target region)?

3.3. Do the products from the target region meet international market requirements? (in terms of quantity, quality, price, design, delivery time etc.)?

3.4. If you would have to evaluate the performance of your 5 main supplier regions along a scale of 1 (very poor) to 5 (very good), what kind of marks would you give for the following criteria: ….

3.5. (Put in the regions name into the correct cell – e.g. Polonnaruwa: quality 2, Anuradhapura: quality: 5, Kzrunegala: quality 3 – same with the other criteria)

Criteria	Very poor	poor	average	good	Very good
	1	2	3	4	5
Quality					
Reliability					
Flexibility					
Price					
Product design (specifications)					
Costumer service					

Note: The criteria need to be adapted to the requirements of a particular sector. This should already be done in the build-up phase

3.6. Do you get sufficient information (and services) from your suppliers about available products, prices and quantities?

O O

Yes No (why not?)

3.7. What kind of business relationship do you have with your suppliers?

- O legal contract
- O verbal agreement
- O no agreement at all, we negotiate on a daily basis

3.8. How do you collect your products?

Suppliers come to me	I go to the suppliers (e.g. through an agent, or personally)	I have collecting centres at central places	I use an out-grower system: suppliers sell exclusively to me	

Other:

3.9. Do you have any suggestions, how the difficulties with your suppliers/supply can be addressed? (if you have any)

3.10. Do you provide any services to your suppliers?

Technical assistance (e.g. training)	Equipments (input supply)	loans	Information about market requirements and demand conditions	Research and development

Other:

4. Competition

4.1. Who are your main competitors on the world market?

4.2. What makes your product different from that of competitors?

4.3. What is the local competitive advantage of products from Sri Lanka?

5. Business environment and support services (*ZOPP-card* exercise)

5.1. With regard to the legal and regulatory framework, have you experienced any difficulties to grow your business? If yes, what were these difficulties?

5.2. What kind of services does the (local) government provide to exporters? Are these services up-to date and useful?

5.3. Are you member of any business association? If yes, are you satisfied with the services that you receive?

Annex 7: Interview guideline for (large) retailers and other buyers

Retailers are the ones closest to the final consumer. They therefore have the best knowledge about consumer preferences and market requirements and trends. They know what sells, and what does not sell.

When interviewing retailers, we therefore need not only to look at current market requirements and demand conditions, but also at whether this market information is passed down to the suppliers (means: also to our target region) within the value chain. Market information is crucial to remain competitive!

Questions
Introduction Show the manager your value chain maps of their sector and explain it to him as well as the purpose of the Local-VCD project. Also explain to him that this local exercise could be beneficial for him to improve his supply basis. If necessary ask them whether the steps and the key stakeholders have been correctly identified. Explain to the manager that it is important now to understand *his* position in the value chain.
1. The Market 1.1. Who are your buyers? 1.2. With regard to the products from our target region: Is the demand growing or declining? And how much? 1.3. Do you face any problems by selling products from the target region to the consumer? 1.4. Do get regular feedback from your customers about the products which you sell? O Yes O No O Only sometimes
2. Product quality and specifications 2.1. What kind of products (categories) do you sell in your retail shop? 2.2. What kind of preferences do your customers have (e.g. in terms of quality, design, functionality, health standards etc.) 2.3. What is the price to which you sell one item (or the price for your 3-5 main items)? 2.4. Do you have product categories? Means: do you grade products according to quality? If yes, what are these grades? And what are the selection criteria?

2.5. What are your 3-5 main cost factors with regard to supply? Give an estimate on how much you spend on them

2.6. Are you aware of international/national standards and regulations for your field of business (e.g. ISO norms, GAP, GMP, quality standards and laws, etc.)

O Yes. What are these standards? Describe below

O No

3. Supply

2.1. Which are the main (5) regions from which you source your products for export?

2.2. What kind of difficulties do you face in working together with your suppliers (especially those of the target region)?

2.3. Do the products from the target region meet your customers' requirements? (in terms of quantity, quality, price, design, delivery time etc.)?

2.4. If you would have to evaluate the performance of your 5 main supplier regions along a scale of 1 (very poor) to 5 (very good), what kind of marks would you give for the following criteria:

2.5. (Put in the regions name into the correct cell – e.g. Polonnaruwa: quality 2, Anuradhapura: quality: 5, Kzrunegala: quality 3 – same with the other criteria)

Criteria	Very poor	Poor	average	good	Very good
	1	2	3	4	5
Quality					
Reliability					
Flexibility					
Price					
Product design (specifications)					
Costumer service					

Note: The criteria need to be adapted to the requirements of a particular sector. This should already be done in the build-up phase

2.6. Do you get sufficient information (and services) from your suppliers about available products, prices and quantities?

O Yes

O No (why not?)

2.7. What kind of business relationship do you have with your suppliers?

O legal contract
O verbal agreement
O no agreement at all, we negotiate on a daily basis

2.8. How do you collect your products?

Suppliers come to me	I go to the suppliers (e.g. through an agent, or personally)	I have collecting centres at central places	I use an out-grower system: suppliers sell exclusively to me	

Other:

2.9. What is the most pressing problem with regard to your small-scale suppliers (or your three most pressing problems)?

2.10. Do you have any suggestions, how these problems can be addressed? (if you have any)

2.11. Do you provide any services to your suppliers?

Technical assistance (e.g. training)	Equipments (input supply)	Loans	Information about market requirements and demand conditions	Research and development

Other:

3. System efficiency:

3.1. How long does it take until you get your order from your suppliers in the target region?

One day	Two days	Up to one week	Up to two weeks	More than two weeks

3.2. How fast do you pay your bills?

On the same day I receive the order	Within a week	Within two weeks	Within three weeks	Within four weeks

3.3. Other: (also specify why it takes so long)

3.4. What kind of services do you provide to your suppliers?

Equipment (machines, inputs etc.)	Technical training and assistance (e.g. how to maintain quality standards)	loans	Research and development	Marketing support (e.g. advertisement, branding etc.)

Other:

3.5. Do you regularly update your suppliers with regard to new market developments?

O Yes O No

3.6. What kind of customer services do you receive from your suppliers?

3.7. How do you communicate with your suppliers?

By phone	By email/post	Face to face	Through an intermediary (e.g. agent)	Other

3.8. How often do you communicate with your suppliers?

Every day	At least once per week	At least once every two weeks	At least once per month	Other

4. Competition

4.1. Who are your main competitors on the market?

4.2. What makes your product/service different from that of competitors?

4.3. Do the products from the target region put you into a competitive advantage?

5. Business environment and support services

5.1. With regard to the legal and regulatory framework, have you experienced any difficulties to grow your business? If yes, what were these difficulties?

5.2. What kind of services does the (local) government provide to retailers in this sector? Are these services up-to date and useful?

5.3. Are you member of any business association? If yes, are you satisfied with the services that you receive?

Annex 8: Interview guideline for supply retailers and companies

Questions
Introduction Show the supplier your value chain maps and explain it to them as well as the purpose of the Local-VCD project (it's all about becoming more competitive and maybe increasing their market share). If necessary ask them whether the steps and the key stakeholders have been correctly identified. Explain to the supplier that it is important now to understand *his* position in the value chain and the particular challenges and opportunities. Start by asking, why the supply retailer has chosen this region to sell his products/services. Or if you are interviewing him outside of your project region, then ask him about his business relation to you region. If he has no relation yet (means, he is not yet selling products in your region), then ask him, under which circumstances he would supply your target sector.

1. Market access & System efficiency

1.1. Who are your buyers?

1.2. What kind of equipment do you supply?

1.3. How do you sell your products/services?

I have a local retail shop	I have a local agent who takes orders	I am wholesaler, I only sell to intermediaries	I have no shop in the target region, but buyers come from far away to buy equipment from me	I directly visit my customers and deliver to their homes

1.4. How do you make customer aware of your products/services?

Through advertisement (e.g. in news papers or radio)	Through word-by-mouth	I visit potential customers directly	I have a sales agent who does the marketing in the region	I do not care much about marketing and advertisement

1.5. How frequently do you meet your regular customers?

Daily	Once per week	At least once per month	At least once every three months	Other (specify)

1.6. What kind of information do provide to your customers?

Information about new products and services	About new technologies	About how to use the equipment (training)	About prices and costs and available financing schemes	I do not provide any information. I just sell my products/services

1.7. What costumer services do you provide to your buyers (e.g. loans, training, advice, maintenance, etc.)

1.8. If you are a supply retailer, where do you get your information from?

I am licensed agent for a supply company which provides me with regular updates	I visit (international) fairs and exhibitions	From the media (newspapers, radio, internet, etc.)	I have order catalogues from several supply companies	BDS providers and extension services, or other business services

1.9. With regard to market access (means: supplying local producers): What are the main difficulties that you are facing?

2. Product quality and specifications

2.1. Describe the product/services which you sell.

2.2. What is the price to which you sell one item (or the price for your 3-5 main items)?

2.3. Do you regularly adopt your range of products/services according to new trends and developments on the market? (e.g. you are always informed about latest technology and try to sell it to your customers)

3. Supply industries

3.1. Who are your suppliers?

3.2. Do you import supply goods? If yes, from which countries?

3.3. If you import products, do you face any constraints/difficulties in doing so?

3.4. Do your suppliers provide you with certain services? If yes, what kind of services (e.g. loans, training, maintenance services, equipment, marketing support etc.)?

4. Product differentiation – competition

4.1. Who are your main competitors (either names of companies, or other regions that produce similar products/services)?

4.2. Is there competition between you and other suppliers for buyers here in the same region?

4.3. What makes your product different from that of competitors?

4.4. What is the local competitive advantage of this area in which you run your business?

4.5. Could you increase your sales in this area over the past few years?

5. Labour Practices

5.1. Mow many workers do you employ?

5.2. Have you signed a contract with them, which specifies the responsibilities of both sides (i.e. employer and employee)?

5.3. How high are your costs for labour?

6. Business environment and support services

6.1. With regard to the legal and regulatory framework, have you experienced any difficulties to grow your business? If yes, what were these difficulties?

6.2. What kind of services does the (local) government provide? Are these services up-to date and useful?

6.3. Are you member of any business association? If yes, are you satisfied with the services that you receive?

Annex 9: Interview guideline for BDS providers

Questions

Introduction
Show the BDS provider your value chain maps and explain it to them as well as the purpose of the Local-VCD project (it's all about becoming more competitive).

Explain to the BDS provider that it is important now to understand *his* role to support and promote the target sector. If it's a private sector BDS provider, you might also explain to him that this Local-VCD exercise might come up with certain proposals which he could take up as implementing organisation, and which again provides business opportunities for him.

1. General information

6.1. Are you a government or a private sector organisation?
O O

6.2. Is your BDS organisation involved in the target sector?
O O
Yes No (then, why not?)

6.3. Which level in the value chain is your organisation targeting (e.g. EDB targets exporters, IDB targets producers, etc.)

6.4. What kind of service does your organisation provide to the target sector? Specify

Training: ___
Loans: ___
Provision of equipment: ___
Marketing support: ____
Research and Development: ____
Information services: ____
Creating linkages/ business partnerships: ___
Provide a business platform: _____
Financial support/ sponsorship/ subsidies: ____
Other: __

6.5. In which areas (geographical) is your organisation present and active?

6.6. Can SMEs access your services?

6.7. What are the conditions for receiving your services?

6.8. How much do your services cost? (or if your services are free of charge: from where do you get funding?)

2. System efficiency

2.1. How do you make enterprises aware of your services?

Through advertisement	They know, we don't have to promote our services (word-by-mouth)	We actively search and contact potential clients	Through recommendation	Other

2.2. How do you make sure your services are on the latest

Our head office regularly briefs us about new developments	We receive regular training to update our knowledge and skills	I inform my self through media	I visit fairs and exhibitions and actively look for business partnerships	Other

2.3. Do you get feedback from your clients and what do you do with this feedback? Do you use it to improve your services?

2.4. Do you do regular needs assessments of your target sectors?

O Yes (please tell us about your most recent one) O No (why not?)

2.5. What are the most urgent needs of the target sector?

2.6. What kind of difficulties do you find in getting access to the target sector as a services provider?

2.7. Any suggestions on how to improve these difficulties?

3. Product specifications and quality

3.1. Do you (or can you) provide technical assistance – e.g. in form of training – to enterprises of the target sector (for example showing them how to improve quality and quantity, how to find business partners, training on market requirements such as international standards etc)?

3.2. Do you have knowledge about market requirements and demand conditions of the target sector? If yes, what are these requirements?

4. Product differentiation – competition

4.1. Do you work on the same sector in different regions?

4.2. How is our target region positioned compared to other regions, that produce the same products?

4.3. Compared to other regions, which are the areas, where our region needs to improve?

4.4. How can you support the target sector to become more competitive?

5. Labour Practices

6.1. What do you know about the situation of workers in the target sector:

Organisation:
Payment:
Workplace safety:
Treatment/recognition:
Legal situation:
Other: _____

6. Business environment and support services

6.2. Are small enterprises in the target sector organised?

O	O	O
Yes	No	Only to a certain degree

6.3. What kind of constraints do enterprises of the target sector face with regard to laws and regulations?

6.4. Are the enterprises registered?

About 10 % are registered	About 20%	30%	40%	50%

Other:

6.5. What kind of support does the government give to the target sector?

6.6. Do SMEs also benefit from this support?

6.7. How could the government play a more constructive role?

Annex 10: Template for Star Diagram

Evaluating and the performance of suppliers

1. What are the most important criteria (3-6) on which you base your purchase decisions?

2. Which are your 3-5 most important suppliers? (include your target sector, even if it does not belong to the most important suppliers)

3. Along a scale from 1 (poor) to 5 (very good), how do you assess the performance of your 3-5 most important suppliers* with regard to these business criteria:

Performance Criteria	Performance Evaluation				
	1	2	3	4	5

Performance Criteria are important business indicators on which the buyer bases his decisions. Examples are: product quality, delivery time, design, flexibility in order quantity, price, etc.

Number stands for performance evaluation as follows:
1 = very good; 2 = good; 3 = indifferent; 4 = bad;5 = very bad

Letter stands for regions from which the buyer sources:
A =
B =
C =
D =
E =

Annex 11: Checklist Rapid market assessment

In a first step you need to understand the nature of market demand – i.e. what exactly do buyers want?

No.	Task	Where to get information from	Remarks
1	**End market/consumer:** • Who is the final consumer of local products? • Where is this consumer located? • What do you know about changes in consumer demand (trends, fashion, etc.) • Has demand increased or decreased over the past years? How much?		
6	**Market dynamics** • Has demand (in terms of sales) for products from the target sector grown or declined over the past few years? Can you quantify with official data? • For which products exactly has demand grown and for which has it been declining? • Which markets have been growing and which have been declining? (e.g. export to certain countries, or regions in Sri Lanka) • What do you know about current market trends (fashions, demand for new designs and products, etc.)? • Do local business stakeholders know about these trends?		
2	**Direct buyers and main competitors:** • How many buyers buy directly from local producers/service providers? • What is the role of these buyers in the value chain (retail, wholesale, processors, manufacturers etc.)? • How many of them are located in the district – how many outside? • Are there any medium to large scale buyers? Who are they? • Who are the main competitors of your main buyers?		
3	**Export markets:** • What is the total export share (in sales) of your local target sector? • Which are the main export countries? • Of these countries, which is the main export market (share in national/local sales)?		

	• Who are the main international competitors on these export markets? • Who of the competitors has the biggest market share and why?		
4	**Sales shares of different buyers:** • Looking at total output of your local target-sector: What is the share of different markets in sales (e.g. how much is sold on local market, national market, export market)?		
5	**Market requirements** • What are the quality standards required by the market? • Do buyers have any grading system? If yes, what are the exact criteria? • Are there necessary certifications in order to expand business operations (e.g. HACCP, ISO norms etc.) • What sector specific regulations and procedures exist for your target sector, which the government has set up? (e.g. hygienic standards for the food sector)		

Supply: To identify market potentials and bottlenecks it is essential to also collect data on supply. In the second step you therefore should look at6 the local capacity of suppliers in your district:

No.	Task	Where to get information from	Remarks
1	**Local Supply** • What is the total number of producers/ farmers in the district? • How high is their average individual production? (e.g. one dairy farmer produces 10 litres of milk/day – one cow produces on average 3 litres/day) • How high is total production in the district? (e.g. 1.2 million litres/month) • How high is the contribution of your local sector to district GDP?		
2	**Regional competitors** • Which other regions in Sri Lanka (and how many) produce the same products and sell to the same buyers? • How much do they supply to buyers? • What is the share of your district in total national sales? (e.g. contribution of your local sector to the share of this sector in		

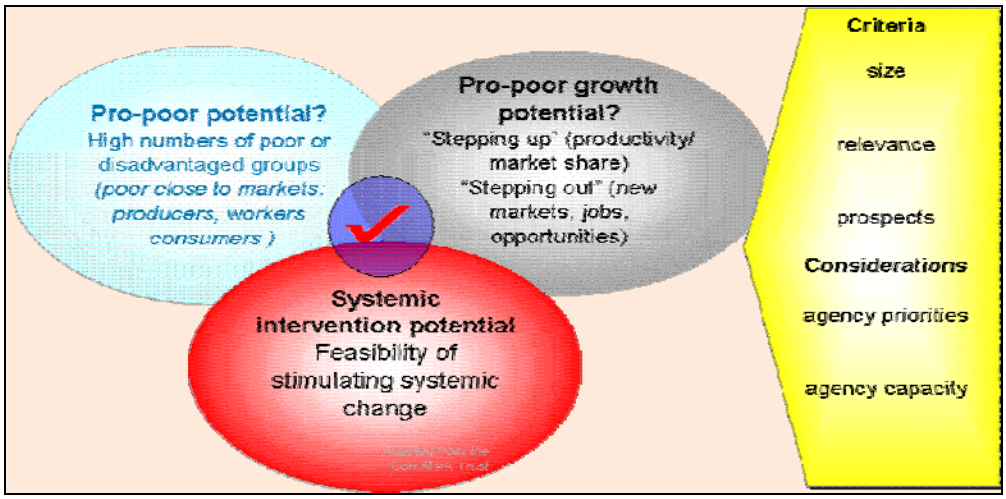
	national GDP) • Which of the competitors is the strongest?		
3	**Product quality** • How high is rejection of local products by buyers? • What is the reason for rejections? • Are local producers aware of quality standards, grading and other sector specific standards required by buyers? • In food sector: Does the production comply with hygienic standards? (e.g. use of detergents, packaging, sterilisation etc.)		

Finally you need to bring together demand and supply: Do local suppliers of your district meet the market demand in terms of quantity and quality?

No.	Task	Remarks
1	**Quantity** • How much do local producers supply of the total demand of buyers (share)? • Is local production sufficient to meet the demand?	
2	**Market requirements** • Do local producers meet the buyers' requirements in terms of quality?	
3	**Market potential** • Is there a chance for increasing local capacity (e.g. productivity) to meet market demand?	

Annex 12: Checklist sector selection

The selection of a sector for a value chain initiative depends mainly on the projects' overall development objectives. Assuming that this is generally creating more jobs and higher incomes through small enterprise development, the following three criteria could be used:[3]



Rob Hitchens, The Springfield Centre (2007): Strategic Review of the ILO Entergrowth project in Sri Lanka.

Pro-poor potential?

The first criteria concerns the number of poor people and disadvantaged working in a particular sector. These could be small producers or service providers, workers/employees working in companies and small enterprises or even consumers. Indicators used to find an answer to this criteria usually are: number of people living below the national poverty line and working for this particular sector; income generated through small businesses; total number of MSMEs in the sector. In other words, the size and relevance for the local and regional economy is important.

Pro-poor growth potential?

Apart from having a high number of MSMEs that generate only low incomes, is there a *potential to improve* the livelihoods of the poor working in this sector? This would include looking at possibilities of a) "Stepping up", by increasing market share, improving productivity, increasing income or adding value; and b) "Stepping out", by exploring new market opportunities, creating jobs elsewhere or in general looking for other opportunities.

Systematic intervention

Once such a potential for pro-poor growth has been identified, the third criteria concerns the feasibility and potential of stimulating a systematic change through focused intervention(s). This third criteria needs to be in

[3] These are the criteria used by the ILO Enterprise for pro-poor growth project in Sri Lanka (Entergrowth), which works on local economic development in four districts in the North-Central amd North-Western Provinces of the country. These criteria were developed during a strategic review of the project by Rob Hitchens, from the Springfield Centre, in February 2007. Entergrowth is financed by SIDA.

potential? line with priorities of the project as well as its capacities – i.e. what can you do, and do you have sufficient capacities?

The following checklist can be used as an aid to select potential sectors for value chain upgrading in you project area. You would need to apply these criteria on some pre-selected sectors – means: you have already short-listed some sectors. This pre-selection would be based on your knowledge on the local economy or on demand from local stakeholders.

We advise to organise a half-day meeting of local stakeholders who have a fairly good overview of the local economy. The short-listed sectors could be discussed there on the basis of this checklist. If secondary material or statistical data on the local economy is available, it would provide useful facts and numbers to underline your selection. This is however not always possible due to the lack of proper statistics and studies. Therefore most of the following questions will need to be answered by using an "educated guess".[4]

No.	Criteria	Comment
	Pro-poor potential?	
1	**Size:** How many SMEs operate in the sector in your target region?	
2	**Employment:** How many people are estimated to work in the sector? Do you know the share of total employment in the region?	
3	**Income:** How much income does a small entrepreneur generate ($ per day)? How much does an employed worker earn?	
	Productivity: How many products does a small enterprise make per day? If productivity is low: what are the reasons (e.g. lack of skills, technology, etc.)?	
4	**Poverty:** Is the income sufficient to provide a livelihood for their families or are small entrepreneurs/workers dependent on a second income source?	
5	**Working conditions:** What are the working conditions? Are there health risks? Do working conditions affect the productivity?	
6	**Women:** What is the ratio between men and women	

[4] You will probably not be able to answer all of the questions by relying on local stakeholders. Therefore you might have to look for some other (national/international) sources that tell you more about the potential of the sector (e.g. international markets and competitors).

	working in the sector? If women work in the sector: what kind of problems do they face?	
7	**Relevance:** How relevant is the sector to the local economy? Do you know its contribution to the local GDP?	
Pro-poor growth potential?		
8	**Market:** What is the market situation: Has demand increased or decreased for local products/services? Also consider export markets.	
9	**Market potential:** Is there a possibility of expanding the market for local products? Are there potential national-level buyers? Are there potential new markets in other countries?	
10	**Competition:** Who are the main competitors of local businesses? In case of export markets: which other countries compete with your region?	
11	**Value-addition:** Are there possibilities to add more value to local products? (e.g. instead of just selling raw material, some initial processing could be done locally)	
12	**Productivity:** Is there a potential to improve productivity (e.g. through better workplace practices, training or improved technology)?	
13	**Costs/pricing:** Do buyers perceive local products as too costly? What is the price for local products? Is there a potential to increase/decrease the price (e.g. by by-passing intermediaries)?	
14	**Relationships:** What is the relationship to buyers? Do buyers dominate and dictate the terms? Or can local enterprises choose between several buyers?	
15	**Motivation/dynamics:** How high is the motivation of local entrepreneurs for change? Do they realise the need for change? Are there “leaders” in the sector who can pull other SMEs along?	
16	**General potential:** Do you think there is a potential to improve the situation of poor people in the sector in the target region?	
Systematic intervention potential?		
16	**Value chain:** Is a value chain initiative the best form of intervention? Is it necessary or are bottlenecks so obvious that the intervention lies at hand?	

17	**Project priorities:** What are the projects' priorities and how does the sector fit into these? Would working on the sector fit to the projects' overall mission?	
18	**Ownership/participation:** Is there a potential for using a participatory approach? Means: will local stakeholders be willing to share information and actively participate in the initiative? Is there a demand for your intervention?	
19	**Other agencies:** How many other development agencies operate in the target region? Do they also work on SME development? If yes, which sectors? Is there a chance for cooperation or do they already sufficiently cover the sector (i.e. there is no need for you to intervene)?	
20	**Human resources:** Do you have enough staff/facilitators trained in the value chain approach to conduct a value chain initiative?	
21	**Resources:** Do you have enough time and (financial) resources to conduct such a value chain initiative?	
22	**Partner:** Is there a main local partner with whom you could work on this value chain intervention?	

Annex 13: Checklist initial research

Within the initial research, first data and information is collected on the target sector. The following checklist will provide you some guidance as to *what* information is required. This information will be used to write up a short (2-5 pages) sector brief that gives and overview of the current situation.

No.	Data
1	**Key economic indicators (over 3-5 years)** • Contribution of whole sector to national GDP (at current and constant price) • Contribution of local sector to total output (GDP) of the whole sector • Overall production (real – e.g. metric tons – and in prices) • Productivity: average yield (e.g. kg/hectare) • Price per unit • Area of land used for the sector • Numbers of enterprises/producers in the sector • Estimation about size of informal activities in the sector
2	**Employment & labour conditions** • Contribution to total employment • Labour intensity of production (e.g. number of person days per crop) • Monthly/daily income of workers/employees (wages) • Dependency of population on the sector for livelihood • Productivity: units produced per worker • Women employment/entrepreneurs (share of total employment in the sector)
3	**Market size, main actors and market channels (initial value chain map)** **a) Market size** • Total national consumption (real and in prices) • Total sales of the sector (in prices) • Ratio national consumption to export • Total import (real and in prices) • Market size • Market development **b) Market actors and channels** • Main markets (domestic and export) • Value chain (e.g. Farmer, trader, wholesaler, miller, retailer, etc.)

No.	Data
	• Number of enterprises/producers per VC level • Volume of production per VC level • Sales per VC level (in prices) • Larger companies involved in the sector (also global buyers)
4	**BDS in the sector** A brief summary of available services in the sector, regarding the following: **a) Transaction services (**Rental services, labour, transport, commissioning, credit, promotion, etc.) **b) Embedded services** (services provided within the value chain from one stakeholder to the other: e.g. from producer to buyer, or supplier to producers, or buyer to producer) **c) Public services** (government extension services, Business associations and chambers, industry bodies, etc.)
5	**Competition** • Main competitors (within the country as well as outside) and market leader • Market share of target sector compared to competitors (e.g. in percent of world market) • Total output of competitors (real and in prices)
6	**Available studies, reports and other information sources** A short list of available information material on the target sector (e.g. from private sector bodies, government agencies, international/national organisations, NGOs, etc.): • Research studies/papers • Internet sources • Media reports • Statistics

Sector brief (or fact sheet):

The findings above should be summarised in a short sector brief (or fact sheet) of about 2-5 pages. The structure could look as follows (similar to the checklist above):

a) Background (why the sector has been selected)
b) Key economic indicators
c) Sector dynamics (description of developments in the sector and market)
d) Employment and labour conditions

e) **Market size, main actors and market channels** (including a initial value chain map)
f) **BDS in the sector**
g) **Competition**
h) **Sector prospects: SWOT**

Additional remark:

The initial research should also be used to make first contacts to key stakeholders (lead firms, government agencies and public organisations, BDS providers, etc.) in the target sector. The purpose is to win their support for the value chain initiative. Therefore

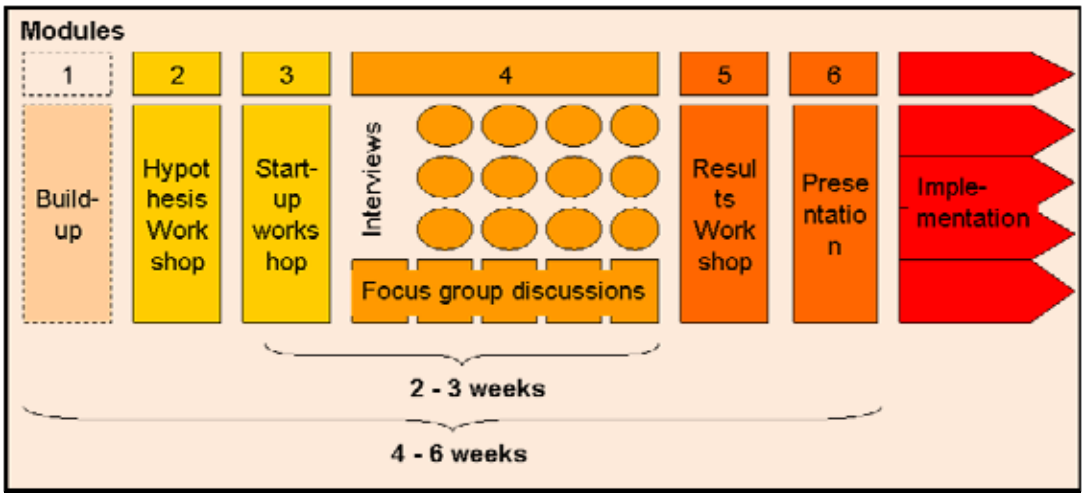
a) explain to them the purpose of the initiative,

b) try to get some initial information from them (e.g. for your SWOT analysis),

c) and invite them for the start-up event.

Annex 14: Checklist overall Local-VCD procedure

If your project focuses on a particular region (e.g. a district or a province) in the country, we advise you to use a participatory approach to value chain development (a bottom-up approach). The ILO has developed an operational guide for "local value chain development (Local-VCD)", which is the result of actual experiences made by the Entergrowth project in Sri Lanka.[5] This guide will provide you with useful information and instructions on how to proceed.[6] The general procedure can be summarised as follows:



Source: Adaptation from the PACA guide, by Mesopartner (www.mesopartner.com)

The following checklist provides you with a brief summary on what needs to be done at different stages of a VCD initiative.

[5] For more information on Entergrowth and project materials look up www.entergrowth.com, or contact Roel Hakemulder, CTA (rh@entergrowth.com)

[6] The guide is available from the ILO EMP/ENTERPRISE resource platform (www.ilo.org/dyn/empent). You will need to be member in order to access the platform. If you are not yet member, please contact David Lamotte (lamotte@ilo.org). The platform provides also many other useful resources. You will find the guide (4.30 MB) under 'Areas of work', then 'Value chains, clusters and sector upgrading'. For further information on the guide, contact Nikolai Rogovsky (rogovsky@ilo.org).

Step	Description
	Preparation
1	**Sector selection** Organise a half-day workshop with your project staff and local stakeholders who have a good knowledge of the economy in your target region. In this workshop discuss some of the potential sectors that you have already short-listed. See separate checklist on selection criteria for pro-poor growth (more jobs, higher incomes) for more information.
2	**Initial mapping of the VC** Organise a small workshop (2-3 hours) with project staff and stakeholders from the target sector (altogether maybe 4-8 people) in which to map the value chain. This workshop could be combined with a project team meeting in which also the procedure and responsibilities could be discussed. See Local-VCD guide, p 23 f., for further information on VC mapping.
3	**Sector brief (initial research)** Gather all available information on your target sector from secondary sources (internet, reports/studies of development agencies, government departments, news papers, statistics department etc.) covering the following topics: **i) Background** General information about the sector in the national economic context; indications on international competition; remarks on why this sector has been selected (selection criteria). **j) Sector status (basic facts)** Brief information on size and relevance (number of enterprises, contribution to GDP, market size); Employment status (number of persons employed in sector, contribution of the sector to total employment, first indications on work quality) **k) Main actors and market channels (initial VC map)** Value chain map indicating different market channels, markets, VC levels and actors; short description of different VC actors/levels **l) BDS in the sector** Short summary of available BDS (at different levels of the VC), including government agencies and NGOs. **m) Sector dynamics** Short description of developments in the past years in the sector: e.g. growth of demand, local vs. export market, product quality, labour productivity,

Step	Description
	competition and competitors, change in customer preferences etc. **n) Sector prospects** A brief SWOT showing also competitive advantage and known bottlenecks for pro-poor growth, estimate on future market development Prepare a small sector brief (1-3 pages) summarizing the information you have found. A local consultant could be hired for this purpose. See www.katalkystbd.com for examples (under "downloads").
4	**Team meeting: preparation** Select a team of people who will conduct this value chain initiative. Ideally this team would consist of a • Project manager (+ assistant) • 2-4 persons trained in Value Chain Analysis and Upgrading (VCAU) and • 2-4 persons from the target sector who can give insider information Organise a team workshop (half day), in which you discuss the following topics **a) Sector brief** Present & discuss results; add missing information (e.g. SWOT could be added after this workshop) **b) VC map validation** Discuss necessary changes in the VC map that have become evident during initial research. **c) Expected strengths and weaknesses** Go through VC level by level and ask the team fro expected strengths and weaknesses (e.g. "what strengths and weaknesses do we expect for vegetable farmers?") **d) Expected intervention strategies** Ask for expected proposals/intervention strategies **e) Next steps** Discuss and plan next steps (start-up workshop) and responsibilities. See Local-VCD guide (p. 31, "Hypothesis workshop") for further information.

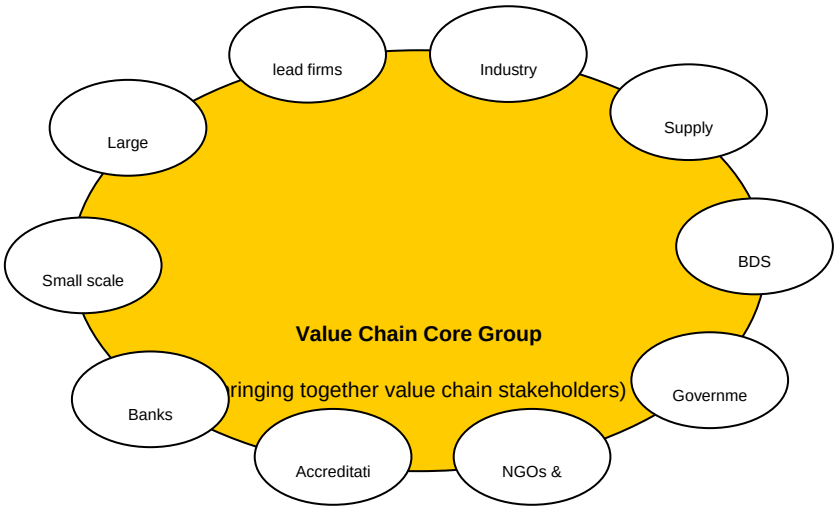
Step	Description
	Value chain research & evaluation
5	**Start-up workshop** First stakeholder meeting: invite local stakeholders from the target sector, relevant government officials and decision makers, other development agencies working on this sector and media. Purpose: First initial assessment and making public that "something is happing" (especially for winning local support). It will not yet be necessary to invite stakeholders from outside the target-region. **a) Validate VC map** Present the VC map and ask participants to make correction, fill in names of companies, BDS providers and other relevant stakeholders which you would interview in the VC analysis. **b) VC relevant questions** Prepare a small questionnaire with VC relevant questions (SWOT is not enough) – can be filled out together. **c) SWOT Analysis** Ask the participants to name strengths and weaknesses of main VC levels as well as business environment See Local-VCD guide (p.38) for further explanation.
6	**Team meeting** Organise a team meeting (half-day) on which to prepare for the value chain research: **a) Discuss results of start-up workshop** Summarise and discuss results of the start-up workshop (especially of questionnaire and SWOT); **b) Research objectives** What are the particular objectives or the project with this C analysis? (e.g. skills: transfer of knowledge, information and technology in the VC) **c) Research methodology (questionnaire, focus group discussions)** How will you gather information? (focus group discussions & questionnaires) **d) Target groups (for interviews and FGD)** Whom should you interview? The VC map helps as orientation. Also consider stakeholders outside of the target region. **e) Research questions**

Step	Description
	What to ask? Discuss the questions to ask to VC stakeholders. Examples are in Annex of Local-VCD guide. **f) Who does what** Discuss and plan further procedure and responsibilities for VC research. See Local-VCD guide p. 49 for more information on tools and examples
7	**Value chain research** Conduct several interviews and focus group discussions with value chain stakeholders (enterprises), relevant BDS providers, government authorities, business associations, NGOs and decision-makers. Already invite them to the results presentation (step 9). Duration: 2-4 weeks. A lot of travelling will be required – responsibilities should therefore be well divided in the team. See Local-VCD guide p. 49 for more information and tools
8	**Team meeting: Evaluation** Organise a workshop, and make sure that all team members (including some sector stakeholders) participate. It might also be useful to include an external resource person who knows the target sector well. Duration of the workshop varies, but at least one full day should be calculated (therefore catering will be necessary). Within this workshop results of the VC research are brought together and evaluated (good documentation and reporting is therefore essential) and put into an action plan matrix: **a) Assessing VC bottlenecks and opportunities (or GAP analysis)** VC Level by level summary of found strengths and weaknesses; special concern towards research objectives (e.g. skills); emphasis on relationships between VC stakeholders. **b) Developing Proposals** Formulation of more general proposals on how to address identified bottlenecks and opportunities **c) Specific activities** Formulation on more specific activities on how to implement the proposals

Step	Description
	d) Expected outcome & indicators What is the expected outcome once the proposals & activities are implemented, and how to measure success or failure (indicators)? **e) Implementing organization** This column is to be filled out together with the stakeholders at the results presentation Write up a short report (about max. 10 pages) on the results of the VC research and the proposals developed in the evaluation workshop, include your VC map with GAP analysis and action plan. This report will be made available for the stakeholders and maybe even media. Further plan and discuss next steps and responsibilities (for the results presentation). See Local-VCD guide p. 64 for further information on evaluation workshop.
Presentation & follow-up	
9	**<u>Results presentation event</u>** Invite all VC stakeholders to a results presentation event. Especially try to invite companies from outside the target region as well as media, political decision-makers and relevant authorities and BDS providers. Duration: 2-3 hours; Catering: Lunch/ dinner. **a) Presentation of VC study report and action plan** **b) Discussion (Q&A)** Give the participants enough space to discuss the proposals and ask questions. It is crucial to create a sense of ownership and motivate stakeholders to commit themselves. **c) Formation of a VC steering group** To implement the proposals a steering group could be formed consisting of relevant sector stakeholders (see below). Ask the participants to select representatives. **d) Discussion on what next** Ask the participants on what should be done next/first.

Step	Description
	See Local-VCD guide p. 88 for more information.
10	**Value chain steering group & Follow-up** This group would be temporary (e.g. 2 years) and meet maybe every month or 2-3 months. This also contributes to a sense of ownership. The project should support the steering group technically but should give it as much responsibility as possible. The steering group is the coordinating body for the implementation of the proposals. The graph below gives some ideas on who should be in this group. The Local-VCD guide does not include information on the VC steering group – more info (a report of experiences made by the GTZ) on this topic can be obtained from Matthias Herr (lesego@gmx.de).

Figure: Value Chain Steering group



	Required resources: • *ZOPP* cards (different colours), pin board, markers, pins, wallpaper, masking tape • Flipchart • Computer/laptop and projector for presentations, evaluation and reporting • Other office material (stationary, ITC etc.) • Vehicle for travelling (interviews with VC stakeholders) • Media maps with information for start-up workshop and presentation event

	Required human resources: • 1 project manager (ideally with an assistant) • 2-4 trained Local-VCD facilitators to carry out interviews and focus group discussions, documentation, analysis and evaluation, formulation of VC upgrading proposals • 2-4 stakeholders from the target sector to join the team (they need not to be trained in Local-VCD)
	Catering Meals and/or snacks are recommended for the following events: • Team preparation meeting • Start-up workshop • Evaluation workshop • Presentation event