Donor Interventions in Value Chain Development

Working Paper



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In December 2004 the Employment and Income Division of the Swiss Agency for Development and Cooperation (SDC) set up an online platform for exchange and joint learning between practitioners and conceptualists engaged in developing value chains in rural areas. This initiative offers an open forum (www.sdc-valuechains.ch); over 120 persons, from around 35 countries joined and discussed practically relevant topics during 9 debate cycles. In this paper the main highlights of the work so far are pulled together and presented for discussion.

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Introduction to this paper

These guidelines highlight the most important issues that development agencies need to consider when they engage in value chain development in rural areas. The paper offers guiding principles for development practitioners and policy makers, and points to further useful material.

This paper is based on the insights gained during the online debate on the forum "Value Chains in Rural Development" operated by SDC, with its various and sometimes contradicting examples, cases, perceptions and discussions.

Introduction to value chain development

What is “Value Chain”

Value Chain (VC), as understood in this paper, is an analytical as well as an operational model. The model takes up the fact that a product is rarely directly consumed at the place of its production. It is transformed, combined with other products, transported, packaged, displayed etc. until it reaches the final consumer. In this process the raw materials, intermediate products and final products are owned by various actors who are linked by trade and services, and each add value to the product. Various types of public and private services, like business development services, electricity, transport, financial services, etc., are as important as favourable framework conditions, i.e. laws, regulations and their enforcement. The Value Chain model supposes that by understanding these interactions, it is possible for private and public agencies (including development agencies) to identify points of intervention to (1) increase efficiency and thereby increase total generated value, and to (2) improve the competence of intended actors to increase their share of the total generated value.

Why is value chain development important?

Globalisation does not only patch up market gaps and brings producers and consumers closer together; it also brings regional and international competition into local markets. For instance, any agricultural produce not consumed by the farmers’ families is a product in the market (local to international) and competes today with products coming from nearby or far away. Therefore, all farmers offering their produce for sale are instantly part of a value chain. Reasons for a donor[1]-funded project or program to intervene may include the following:

1. Some people need support for becoming actors in existing value chains.
2. More important than belonging to a value chain is the role people play in it, i.e. their negotiation power in the value chain.
3. Some actors are stuck in value chains that exploit low income possibilities. They require support to explore new opportunities.
4. By strengthening one actor in a value chain there is the possibility of creating competitive advantages for the whole system. In such a case a large number of people competing in local, regional or global markets can benefit from these advantages.

[1] The term ‘donor’ is used as a synonym for ‘development agency’.

General strategies

The strategic approach to supporting value chains and related services is similar to any donor intervention in complex systems:

- Focus on changing processes and behaviour and not just on solving identified problems.
- Avoid taking up functions that are part of the business cycle (i.e. take care not to substitute local entrepreneurs).
- Work with existing commercial initiatives and do not establish new marketing channels that are not sustainable, even if they offer fairer terms for farmers during the project life span.
- Do not set up interventions which compete with existing business and other services, unless you are very sure about their viability and sustainability.
- Address market imperfections and withdraw when markets function.

A systemic view of value chains

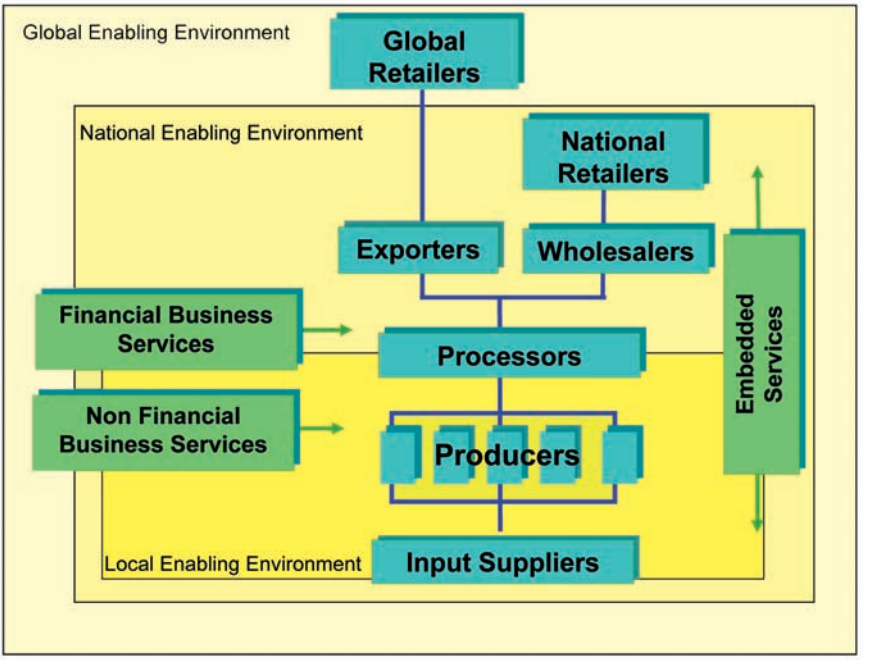
A systemic view integrates three important levels within a value chain network and allows discovering potentials and bottlenecks within these levels and in the dynamic interactions between them. Thereby traditional value chain analysis approaches should be enriched by other concepts and methodologies such as sub-sector analysis, enabling business environment, cluster development, and local economic development approaches.

Value chain actors: The chain of actors who directly deal with the products, i.e. produce, process, trade and own them.

Value chain supporters: The services provided by various actors who never directly deal with the product, but whose services add value to the product.

Value chain influencers: The regulatory framework, policies, infrastructures, etc. (at the local, national and international level).

Chart 1: The value chain system (adapted from USAID, 2006)



Public interest in Value Chain development

While entrepreneurs invest in private interests, development agencies should invest in matters of public interest, such as improving access to commercial activities, promoting fair-trade schemes, small entrepreneur capacity building, labour standards, corporate social responsibility, etc.

Public interventions in markets inevitably lead to changes in the existing markets. Where no market for a specific product exists, or an existing market is monopolised by a single company, the creation of a market, or the removal of a distortion can nevertheless be the objective of a development intervention.

The key issue of donor intervention is „leverage“: How do development agencies work for systemic change to reach tens of thousands of people rather than apply direct assistance to help a few enterprises or farmers? At which points can leverage be applied to reach the intended systemic change in a sector?

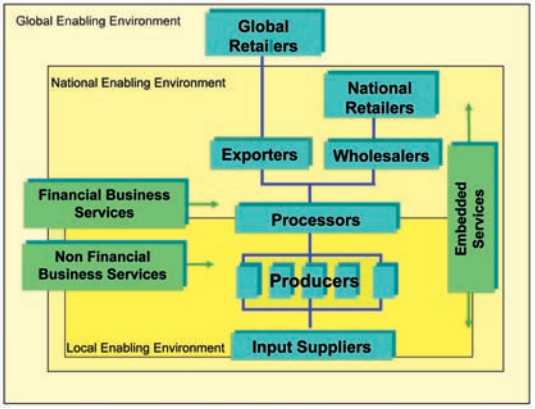
Development agencies should only intervene in VCs when there is:

1. Some sort of 'market failure' – a lack of finance or information for example, or a high potential to upgrade a well working Value Chain
2. When the overall benefits of interventions to correct this market failure exceed the costs
3. The outcome of the intervention is in the public interest (i.e. food security, poverty alleviation, environmentally sound practices, etc).

Links to: Introduction to value chains

- SDC, Focal Point for Rural Development. www.sdc-ruraldevelopment.ch
- Global Value Chain Initiative (Institute of Development Studies, University of Sussex, England). www.globalvaluechains.org, www.ids.ac.uk
- FIAS, 2006. Presentation by Uma Subramanian to the Linkages and Value Chains Working Group of the Donor Committee for Enterprise Development, Vienna. www.Enterprise-Development.org
- ILO, 2006. A Guide for Value Chain Analysis and Upgrading. Available for download from www.Value-Chains.org
- Kaplinsky, R., and Morris, M. A Handbook for Value Chain Research. Prepared for the IDRC by the School of Development Studies, University of KwaZulu-Natal, 2001. http://sds.ukzn.ac.za/files/handbook_valuechainresearch.pdf
- Schmitz for ILO, 2005. Value Chain Analysis for Policy Makers and Practitioners. IDS, UK. http://www.ilo.org/dyn/empent/docs/F204969253/VCA_book_final.pdf
- Springer-Heinze, GTZ, 2004. Info-Cadena: Instruments to foster value chains. www.sdcvaluechains.ch/resources/resource_en_34.pdf
- Daniel Roduner, Agridea, 2004. Analysis of existing theories, methodologies and discussions of value chain approaches within the development cooperation sector. http://www.sdc-valuechains.ch/resources/resource_en_32.pdf

Analysing value chains



Value chains constantly evolve and can rapidly change. Therefore any value chain analysis faces the limitation of providing a static picture, a snapshot at one moment in time. Development practitioners must learn to use analytical tools that help them understand the dynamics and tendencies.

Paying specialists to study chains, works in the short term. In the longer term, VC actors themselves need to learn the skills to explore how markets are evolving, so that they too can evolve and remain competitive. Basic tools for market research must enable those with a market orientation to 'stay in the game'.

Some issues to be studied when dealing with VCs:

What does a VC study include?	What key criteria must be applied?
❒ Costs along the chain ❒ Where is most value added? ❒ Importance of different actors / governance structure (who decides on what, how and when has to be done); how strong are the different actors and what "drives" the different actors ❒ Institutional framework ❒ Political framework ❒ Identify and analyse bottlenecks	❒ Growth potential / market potential ❒ Size of sub-sector ❒ Specific target characteristics depending on desires of the client (gender, concerns of equity, etc.) ❒ Potential for rural income generation ❒ Potential for poverty reduction ❒ Potential for return on investment / effort-impact ratio ❒ Synergies with other initiatives ❒ Potential for upgrading / expanding
Sources of information	**Available Tools**
❒ Interviews with key chain actors ❒ Literature review ❒ Statistical reviews ❒ Governmental offices ❒ Associations ❒ International sources of market information	❒ Mapping: economic mapping / mapping of the functions of actors / mapping of performance and added value at each stage ❒ Trend analysis ❒ Competitiveness analysis ❒ Rapid Market Appraisals (RMA)

A value chain analysis is about identifying the full set of economic cost along the VC, to determine where how much value is added and what the relative importance of different actors is (i.e. the formal and informal governance structure)[2]. Then have a good look also at the available services and the supporting institutional framework.

In practice it is important to define what you must know, what you don't need to know and what you can not know. Checking the reliability of data and filtering out the essential information will be one of the main challenges of any practice-oriented value chain analysis. Perfectionism is counterproductive.

The following examples describe different approaches (i.e. intervention points for development agencies):

- **In-depth VC study and sub-sector competitiveness analysis:** The Mekong Bamboo Initiative – a detailed analysis of the bamboo value chain in the Mekong region. Oxfam Hong Kong (OHK) and the Mekong Private Development Facility carried out this analysis combining pro-poor perspectives with commercial competitiveness in global bamboo markets. This study is the basis for a larger bamboo value chain project in the region. It had benefited from the successful experience of China in developing the bamboo value chain; it enabled OHK to benchmark various costs along the chain, and also to estimate the total size of the various bamboo-related markets. Such an in-depth study with a clear pro-poor focus would not have been done by a private company. (more information: http://162.23.39.120/dezaweb/ressources/resource_en_150855.pdf).
- **Rapid Market Appraisals (RMA):** Intercooperation implements the LEAF project (Livelihoods, Empowerment and Agroforestry) in Bangladesh for SDC. In order to improve the access to markets for rural community-based organisations (CBOs), it applies marketing extension. The latter is a 6 steps learning-by-doing module that gives the CBOs the capacity of doing their own market research. CBOs can identify where the best market potentials are, in accordance with their know-how, production capacity, access to resources, distance to market places, etc. After 3 years, there are now service providers who commercialise these trainings and the subsequent follow-up advice to CBOs (more information: http://www.intercooperation.ch/projects/p88).
- **Funding local business centres:** This approach is based on the idea that the local business centre companies are built and further supported by development agencies, NGOs and external consultants. The support from the development

[2] 'Governance' is a term used for describing the power relations in a value chain. Governance reflects the fact that interaction between firms along a value chain show some organisation rather than being random.

community is based on the public interest, i.e. fostering income and employment in the region or country. Development agencies provide the means (skills, tool, methods etc.) for analysing VC to these business centres and ensure that the results of the public funded activities are available for the public." (like the Rural Livelihood Development Company by SDC in Tanzania, http://www.rldc.co.tz). This business based approach aims at fostering local capacities from the very beginning. It does not introduce new external-led structures, but acknowledges the importance of building sustainable, regional-led business centres that invest in value chain development.

- **Providing venture capital funds** to existing commercially operating business service agencies so that they can conduct R+D efforts that fit with a public interest. This is particularly useful for small probing actions to explore and verify business ideas and thereby identify main dynamics and potentials in the complex market environment.

Links to: Analysing value chains

- Participatory Market Chain Approach – User Guide (2006). http://papandina.cip.cgiar.org/fileadmin/PMCA/User-Guide.pdf
- ILO guide for value chain analysis and upgrading (2006). http://www.value-chains.org/dyn/valuechains/bdssearch.details?p_phase_id=545&p_lang=en&p_phase_type_id=6
- CAPSA, Capacitating Sector Analyses (2004); A practical training methodology to analyse value chains. http://www.sdc-ruraldevelopment.ch/resources/resource_en_45.pdf
- Clients first! A Rapid Market Appraisal Toolkit (2006), Helvetas. http://www.helvetas.ch/global/pdf/english/Professional_competences/Documented_experiences/resources/Clients_First_lowres.pdf
- Mapping the market, ITDG / practical action (2005). http://practicalaction.org/docs/ia2/mapping_the_market.pdf
- Promotion of commercially viably solutions to subsector and business constraints. http://www.actionforenterprise.org/paper0404.pdf
- Gemini, 1991. How sub-sector analysis can help development interventions increase leverage to micro and small-scale enterprises: A Field Manual for Sub-Sector Practitioners. DAI/USAID, Washington DC. http://www.microlinks.org/ev_en.php?ID=7351_201&ID2=DO_TOPIC

From analysis to intervention

Interventions will always have to take into account the specific situation and context, but the following general rules should apply:

- VC outsiders (i.e. people who have no intrinsic role to play in a VC, such as development agencies) should only intervene where they can add real value to existing capacities of VC actors and VC service providers, and only if there is a real demand. The motivation and goals of development agencies must be communicated clearly towards the VC-players.
- Development agencies should intervene only in support of existing local actors, entrepreneurs or organizations that may become potential change agents. Changes will only be sustainable if they are implemented and owned by local entrepreneurs, local public agencies and / or local civil society.
- VC development itself can be a commercial venture. Development agencies or publicly funded agencies should avoid to assume roles that can be commercially operated, and thereby sabotage the emergence of truly sustainable and viable enterprises.
- Before intervening in any value chain, development agencies must have a minimum understanding of markets, actors, informal rules and laws, embedded and other services, etc.

The following are intervention procedures that practitioners are currently following to develop value chains. Each implies certain strategies:

- Development agencies conduct extensive research and stakeholder consultations, leading to diagnosis of key constraints, and possible solutions; facilitators are hired to intervene, mobilise stakeholders etc.
- The donor-funded agency acts as an ‚impartial broker', bringing stakeholders together to articulate their needs through local economic development programs, cluster development, etc.
- Provision of matching grants, to encourage lead firms to take risks.

Useful operations include:

- Provide technology, information and know-how to VC actors
- Promote local market access for the rural producers
- Link actors; assure fair conditions between farmers and marketers (i.e. by forming groups, associations, and cooperatives)
- Fast-response actions, such as funding R&D by key actors, or specialised trainings for key skills

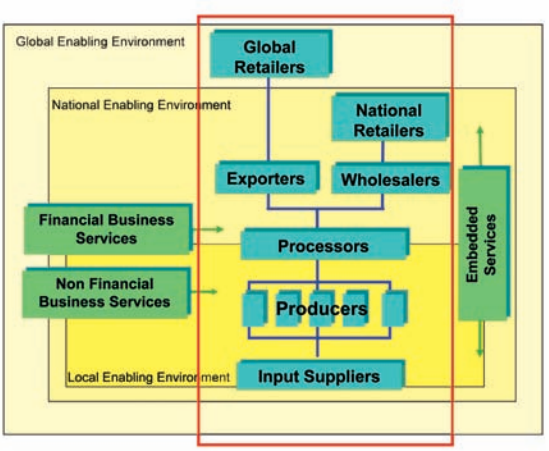
- Long-term capacity building through training programs and business coaching.

At present, application of these intervention procedures is often quite fragmented, with many practitioners applying only one, or perhaps two of them. Ideally, project managers deploy a combination of them.

Links to: From analysis to intervention

- Altenburg T. (2007), Donor approaches to supporting pro-poor value chains, Donor Committee for Enterprise Development. http://www.enterprise-development.org/resources/item.asp?resourceid=386
- 'Making Markets Work Better for the Poor' has just finished drafting a first version of a tool book on pro-poor value chain analysis, with the primary aim of making it accessible to practitioners in the field. http://www.markets4poor.org
- Mapping the market, ITDG / Practical Action (2005). http://practicalaction.org/docs/ia2/mapping_the_market.pdf
- Springer-Heinze A. (2007), GTZ – ValueLinks Manual, The methodology of Value Chain Promotion. http://www2.gtz.de/publikationen/isissearch/publikationen/details.aspx?RecID=BIB-GTZ070900

Development agencies and value chain actors



Value chain actors are those who directly deal with the production, processing, packaging, trading etc. of a product. Usually they own the product for some time as it travels along the chain.
Many interventions in the past concentrated on directly supporting the target group, i.e. poor rural producers. This is still a legitimate point of intervention if the bottleneck lies within a production or transformation step involving VC actors at that level only.

Any technical or financial assistance for producers, suppliers or processors should include a discussion also with the indirectly involved VC actors.

Improved quality allows market access, Mali

The world market for shea butter is often presented as an 'eldorado' for poor rural households in Africa. But the value chain is controlled by a few multinational companies, which purchase raw nuts with hardly any locally added value. The main reason for this is quality: the butter produced in Africa rarely satisfies the standards of industrialised countries. By improving the processing quality at the farm level, some producers can access profitable niche markets.
http://www.intercooperation.ch/projects/p84

Large lead companies tend to be more forward thinking and take longer-term perspectives while smaller businesses often are unable to take a long term view. For this reason it is often easier to work with the lead companies to achieve positive outcomes for small (poor) producers. On the other hand, this kind of intervention may lead to poor small enterprises dropping out of business. Development agencies have to carefully explore whether this trade-off applies and design interventions accordingly.

General recommendations include:

- The impartial position of a development agency allows creating new working and interaction mechanisms that help in building trust and transparency among the VC actors.
- Development agencies must focus on issues of public interest in functioning value chains.
- A clear distinction between public and private interests and roles favours the emergence of sustainable enterprises through commercially oriented donor interventions.
- Providing start-up advice and financing is the most important direct support from development agencies to VC actors. Once the enterprise is on the move, it must learn to present a concise business plan and get commercial credit and Business Development Services (BDS). If such services are not available, the development agency should strive to foster the emergence of commercial service provision.
- It is crucial that VC actors master the skills of introducing and managing changes.

Support for a farmer organisation, Albania

In the region of Puka in Albania farmers had no access to markets because of difficult road conditions and missing organisation. Shops in the district town brought all goods from wholesale markets; a lot of it came from abroad, including potatoes, fruits, vegetables traditionally produced in the villages. The task of a project of SDC is to support the farmers in trying to get a share of the local and national market. The key leverage point was to support farmers to form a producers' association, and to assist them in developing market-led production for potatoes, fruits, honey etc. The new association is building up an advisory and training service, organising seed potato production and planting of new fruit-trees, and it coordinates the processing and selling of the products.
http://www.swisscooperationalba-nia.ch/en/Home/Programs_and_Projects/Development_of_the_Private_Sector/Agriculture_in_the_District_of_Puka

Useful operations include:

With small farmers, poor rural households:

- Improve market access for small farmers
- Improve their skills as entrepreneurs to engage as VC actors

With small rural enterprises:

- Support market access for SMEs and improve their competences required to assume their role

- ❒ Capacitate SMEs to face competition from imported products in local markets and/or help them to access regional and international markets

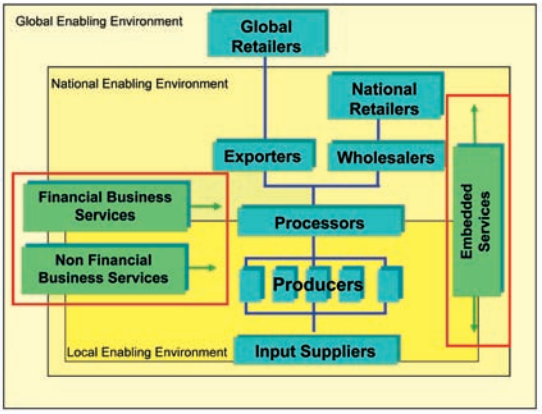
With large companies/global value chains:

- ❒ Show large companies how their operations can benefit from including a large number of intended beneficiaries

Links to: Development agencies and value chain actors

- Skills development for rural people: a renewed challenge (2005). FAO and IIEP/ UNESCO; http://www.sdc-valuechains.ch/resources/resource_en_113.doc
- State of the art/concept on Skill Development in Rural Areas SDRA (2005). SDC. http://www.skilldevrural.net/status/stateoftheartendjuly/stateoftheartendjuly.doc
- SDC Position Paper to Cooperation with the Private Sector (2004. http://www.deza.admin.ch/ressources/resource_en_24355.pdf
- Rural Development through Public-Private Partnerships (PPPs)? InfoResources (2005). http://www.inforesources.ch/pdf/focus_1_05_e.pdf
- Public Private Partnership for Rural Development; BeraterInnen News (2004), Ueli Scheuermeier. http://www.sdc-valuechains.ch/resources/resource_en_8.pdf
- Background, approaches etc. on Public-Private Partnership, GTZ. http://www.gtz.de/en/leistungsangebote/2362.htm
- Arndt C., Cornier K., Ryzanov E., (2005); Helvetas: Value Chain Management and Poverty Alleviation in Rural Areas: Experiences from Kyrgyzstan. http://www.sdc-ruraldevelopment.ch/resources/resource_en_129.pdf

Development agencies and value chain supporters



Value Chain supporters are people and companies who provide services to the value chain actors such as
a) improving capacities of producers and small agro-businesses,
b) ensuring access to information, knowledge and know-how, and
c) linking numerous, but small producers with markets.

Again, public and private roles must be clearly defined. Entrepreneurs are partners with a legitimate commercial interest. Key constraints observed on this level include: Interpersonal skills for participation, advocacy, behaviour change of service providers, and the quality of accessible services.

Development agencies can initiate and facilitate a trust building process. However, the main outcome should aim for improved local capacities for future transparent negotiations and trust-building collaboration.

Development agencies should always consider the issues of access to information and knowledge management within value chain development as crucial.

Processing companies and BDS, Kyrgyzstan

With the collapse of the former Soviet Union the existing large agri-processing companies in Kyrgyzstan lost their traditional markets. Particularly for fruits and vegetables, international competitors entered the small domestic market and the former economies of scale of the processing companies were lost. The individual producers lost the outlet for their products and thus were deprived of their badly needed cash income. The core intervention of Helvetas' Local Market Development Project in Kyrgyzstan, therefore, targeted the processing companies to improve and assure quality. Through local business development services the project succeeded to unite the leading processing companies and traders into an association that is producing and marketing processed vegetables and fruits under the common label "Taste of Sun". Today one finds these products both on the export market in Siberia and in the retail shops within Kyrgyzstan.
http://www.sdc-valuechains.ch/resources/resource_en_129.pdf

A district fishery association as the trigger for VCD, Bangladesh

Greater Faridpur, a south-western region of Bangladesh, is the abode of fish due to its number of ponds and lowlands. Yet, there was a weak linkage in the value chain when it came to brood fish farming. The brood fish cultivators were unaware of the appropriate rearing procedures; the hatchery owners knew little about the spawn needed to produce quality brood fish, and there were no quality brood fish producing/selling entities which resulted in farmers selling normal fish as brood fish. The Katalyst programme worked with the District Fishery Association in Faridpur, as the value chain supporter, who communicated the value of quality brood fish to the members of the chain and also created access to knowledge, information and techniques for producing quality brood fish. www.katalystbd.com

Embedded business services (EBS)

EBS are services bundled around commercial transactions between a buyer and seller. EBS are increasingly important for the poor in remote areas, because the limitations of other mechanisms for services to reach them are becoming clear. EBS may not appear as the most desirable option, but they often are the only one with good chances for longer-term viability. Most buyers would prefer not to have to provide EBS to producers, but they are willing to do so if it helps their business adequately.

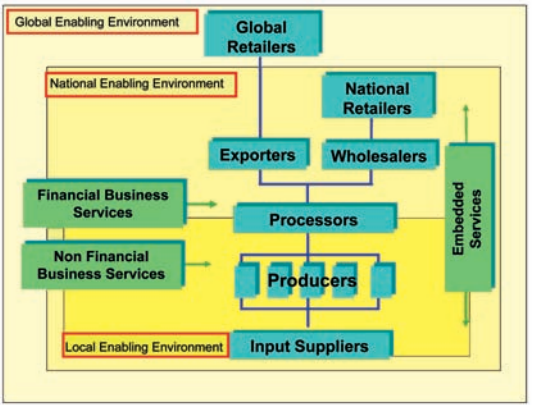
Some key issues for development agencies when engaging in EBS:

- Do not set up interventions which compete with existing EBS and other services, unless you are very sure about their viability and sustainability.
- Do not think that commercial VC actors and service providers are generally nasty, but assume that they are willing and can be motivated and supported to improve their practices in ways that are profitable both for them and for their (poor) suppliers and clients.
- The available actors can be supported in developing better practice and behaviour. This requires incentives in the right direction. A transparent Public Private Development Partnership (PPDP) can be a good basis for cooperation. The public – and therefore donor – interest is to fund the building up of (EBS and other) services which help to get poor people into the VC, or to directly fund services which are required only for a limited time, and then opt out again.
- Development agencies can make EBS more visible and support enhancing EBS within value chains. Especially because EBS can reach very remote producers and their delivery can have poverty alleviation effects.
- The access to (affordable and reliable) market information is often key for producers; so donors can support the generation of locally relevant information.

Links to: Development agencies and value chain supporters

- Corporate Social Responsibility. http://www.unglobalcompact.org/
- Corporate Social Responsibility (CSR) and Poverty Reduction – Perspectives and Challenges for Multi-Stakeholder Approaches. http://www.helvetas.ch/wDeutsch/media/medien/medienmitteilungen/news/03_09_16_csr_konferenz.asp#conf
- SEEP network. http://www.seepnetwork.org/
- Decent Work Agenda, ILO. http://www.ilo.org/public/english/decent.htm

Development agencies and value chain influencers



The environment for value chain development is influenced by people, organisations and institutions that are responsible for setting up and managing the regulatory framework.

A favourable and enabling business environment provides economic and political stability, ensures low costs for business transactions, and allows for efficient business operations, which lead to greater innovation and creativity.

Development agencies can influence an enabling business environment for VCD in four different ways:

1. Enable local actors to lobby at the policy level through the local government or civil society (e.g. chambers of commerce).
2. Influence public and private local actors to come together and define a regional policy favourable for businesses and value chains operating in their area.
3. Support governmental agencies with technical assistance, so they are able to offer a demand-oriented and efficient service to rural entrepreneurs (bureaucracy can be a business killer).
4. Gain experience through small field-level projects (action research and R&D) and use the lessons learnt for direct policy dialogue.

Consumer's' concerns and poverty reduction, Switzerland

At the end of any value chain there are the consumers with their money bags. Since the 1970ies the fair trade movement has been using products from the South to sensitise the public in the North about socially and ecologically unsustainable production and trade conditions. Helvetas with its own fair trade shop is among the pioneers in this respect. In the case of organic and fair trade cotton from West Africa and Kyrgyzstan, Helvetas – with support by the Swiss State Secretariat for Economic Affairs (SECO) – has further pursued such sensitisation and awareness raising work: an exhibition on organic cotton toured through Switzerland from 2005 to 2007 and had been visited by more than 22'000 people. ➥

➦ Didactic material about organic cotton was prepared, which is regularly used in schools. Publications for different target groups have been spread and websites launched. A conference in Switzerland under the title “Consumers’ concerns and poverty reduction” not only attracted an interested audience, but was also well covered in the media. Recent efforts are oriented to the public procurement sector: from 2008 onwards the police in Zürich city will wear organic cotton shirts. www.organiccotton.ch

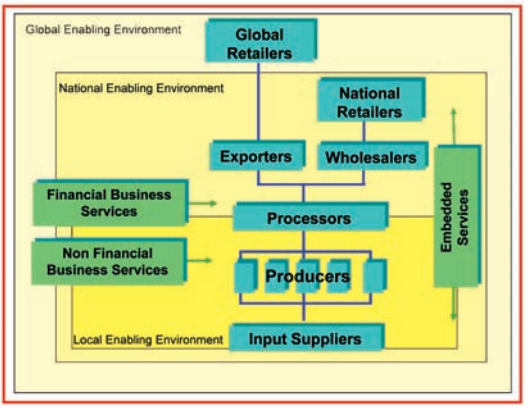
Business standards (frameworks) as trigger for VCD, Bangladesh

An agro-processing industry was engaging in contract farming in maize in the North of Bangladesh, but they were unable to attract more contract farmers due to the lack of proper procedures in the contract farming agreements with the companies. Katalyst and its partner Winrock International assessed the existing system of contract farming and held a workshop with the large food processing companies of the country to formulate a standard contract farming procedure including a list of best practices. This procedure paper and subsequent dissemination workshops succeeded in getting a huge response from the contract farmers as the new culture provided them with easy access to finance, latest technologies, trends in cultivation and last but not least, an assured market for their produce.
www.katalystbd.com

Links to: Development agencies and value chain influencers

- Henson S. and Jaffee S. (2006), Food Safety Standards and Trade: Enhancing Competitiveness and Avoiding Exclusion of Developing Countries. http://www.informaworld.com/smpp/content~content=a770704354~db=all~order=page
- International trade agreements. http://www.wto.org/
- International Federation of Organic Agriculture Movements. http://www.ifoam.org/
- Fairtrade Labelling Organisations International. http://www.fairtrade.net/
- Local Economic Development LED. http://web.worldbank.org
- Addressing poverty through local economic and enterprise development: A review of conceptual approaches and practice; working paper 3; Junior Davis and Catherine Rylance; NRI (2005).
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Measuring and evaluating value chain development interventions



The challenge is how to plan something that will be exposed to strong pressures for continuous dynamic change, and how to monitor and evaluate such dynamic processes.

Lead issues to be considered when developing an assessment of interventions:

- What are the main evaluation questions?
- What kind of impact, outcome or result do we want to assess?

Results are to be measured at various levels and in different ways. Relevant issues regarding the result, outcome and impact measurement include:

- Tangible results at the level of the value chain actors (i.e. producers, traders, etc.) like: productivity, profitability and income.
- Qualitative or soft data at the level of the value chain actors and supporters (i.e. BDS providers) like: changes in behaviour or change in mindsets and attitudes, the absorption rate of new technology/knowledge, or the willingness to invest in (new) ventures.
- Indicators for sustainability may be (among others):
  - the commitment of the primary actors (fair and transparent agreements are an indicator in this respect)
  - the business growth potential for all actors (trends must be supportive for future growth of the business)
  - the cohesion of the support from the service sector (a structured and coordinated support).

Where do we measure and get the data from?

Reliability, objectivity and ease of data collection are the three main factors when deciding where to collect data. Triangulation of data and information may be necessary in order to develop concrete evidence that is easily understood.

It might be necessary to collect detailed information at the lowest level, and then measure at other levels (higher up in the chain; easier to access) and 'extrapolate' figures. For understanding soft data and for improved learning various sources of information are necessary (for example: peer reviews, self-evaluations, story-telling, etc.).

Who conducts and manages the assessment? Who participates?

The reasons for an assessment also indicate the actors that should be involved. In most cases it is advisable that diverse people are involved: from within the chain (an efficient and effective way to collect routine information) and supporting actors (such as NGOs, consultants for in-depth measuring of e.g. poverty at household level).

In projects, we can distinguish between

a) **significant impacts,** which we can achieve either through working with 'innovators'[3] who become change agents supporting trickling down effects and/or by motivating neighbours to copy the success stories;

b) **broad impact,** meaning that we intend to facilitate change within a broader population. Here we talk about 'early adopters', who need some more time to change their mindsets and attitudes and when it comes to the 'early majority' it takes even longer etc. Therefore, it is suggested not only to look into quantitative indicators (willingness to pay; share of service costs contributed by the target group etc.) but also into qualitative impact indicators (e.g. change of attitudes evidenced by change in behaviour) in order to capture a broader view of the target group.

The underlying systemics are that (1) changes are complex and do not move in a linear way, (2) development is done by and for people and (3) although a programme can influence the achievement of outcomes, it cannot control them because the ultimate operational responsibility rests with the involved people.

[3] The innovation pyramid distinguishes between 'innovators' (the first 2.5 % of adopters of a given population), 'early adopters' (the next 13.5 %), 'early majority' (34 %), 'late majority' (34 %), and the 'laggards' (the last 16 % of adopters).

Causality and attribution of impacts

Value Chains tend to be very dynamic and there are numerous actors and factors contributing to change.

This means that it will be difficult to identify an impact even if it exists. Large datasets – which are likely to be costly to compile – will be needed to estimate poverty impacts. Moreover, to get valid data would imply that the net effect of an intervention is isolated from all other extraneous or confounding factors that influence defined impact. However, we have learned that many (confounding) factors are at play in effecting the changes observed at a highly-aggregated level. Therefore these changes cannot be reliably and proportionately traced back to any one intervention or program. We are in a complex system.

Instead of trying to circumvent the methodological problem of attribution at a higher level of impact assessment with onerous statistical methods with doubtful outcome, one should rather turn to identify plausible behavioural patterns or "rules of the game" for what one can observe at field level.

Links to: Measuring and evaluating value chain development interventions

- Altenburg T. (2006), Governance Pattern in Value Chains and their Development Impact. http://www.informaworld.com/smpp/content~content=a770704668~db=all~order=page
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- Outcome Mapping – Building Learning and Reflection into Development Programs; Sarah Earl, Fred Carden & Terry Smutylo; IDRC 2001. http://www.idrc.ca/en/ev-26586-201-1-DO_TOPIC.html
- The Most Significant Change Technique – A Guide to its Use; by Rick Davis and Jess Dart (2005). http://www.mande.co.uk/docs/MSCGuide.pdf