



Introduction to *ValueLinks*
***ValueLinks* Module 1**

Value Chains and Sustainable Growth
- an introduction



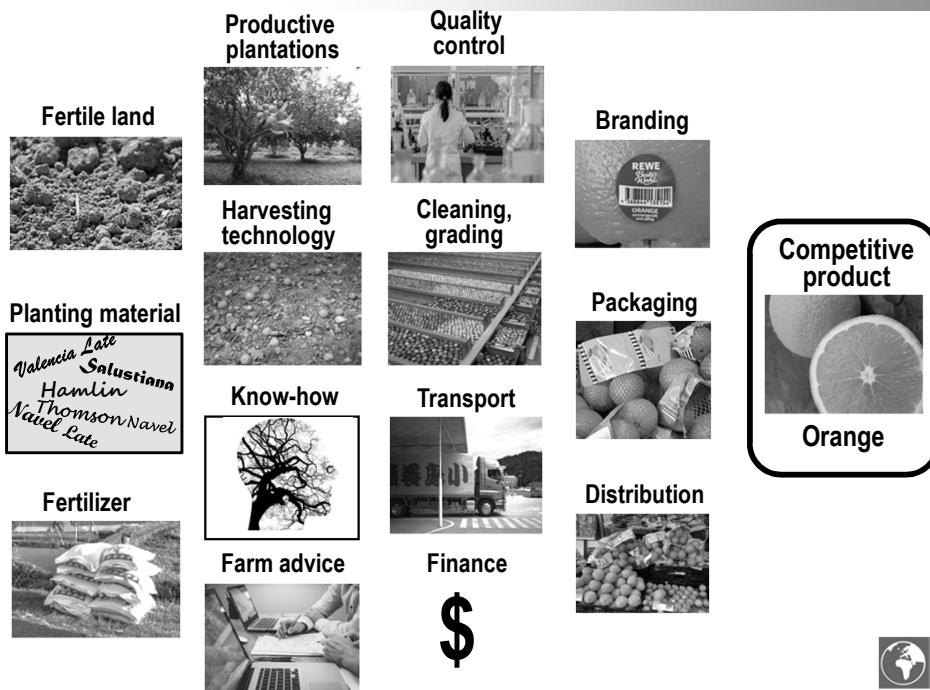
Value Chains and Sustainable Growth
-an introduction

Contents

- 1** Value Chains – a perspective on development
- 2** The “*ValueLinks*” concept
- 3** Scoping & selecting a value chain for promotion

Factors of Competitiveness

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Value Chain – a definition

1

“Value chain” means....

- The sequence of related business operations (functions) from the provision of specific inputs for a particular product to primary production, transformation, marketing, and up to the final sale of the particular product to consumers.
- The set of enterprises that performs these functions i.e. the producers, processors, traders and distributors of a particular product.

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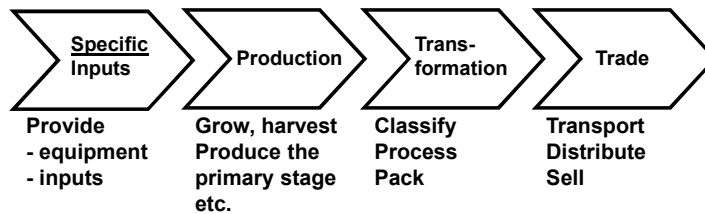


The value chain "map"

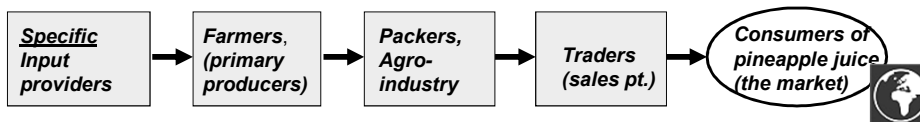


Basic sequence of functions in an agribusiness value chain

1



Categories of operators in value chains and their relations



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Goals of value chain promotion

To add value to the local products...

... by ...

- improving product quality
- adding processing steps
- improving supply chain efficiency

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... and by ...

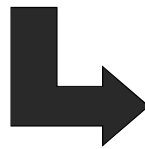
- innovating new products
- applying modern package designs
- fulfilling international standards
- branding the products

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Benefits of value chain promotion

Resulting in...

- Higher income for craftsmen/farmers (through better prices and/or increased efficiency)
- New markets for exporters or traders (through improved quality, product innovations or brand names)
- Stable trading relations (through better linkages with local and international buyers)



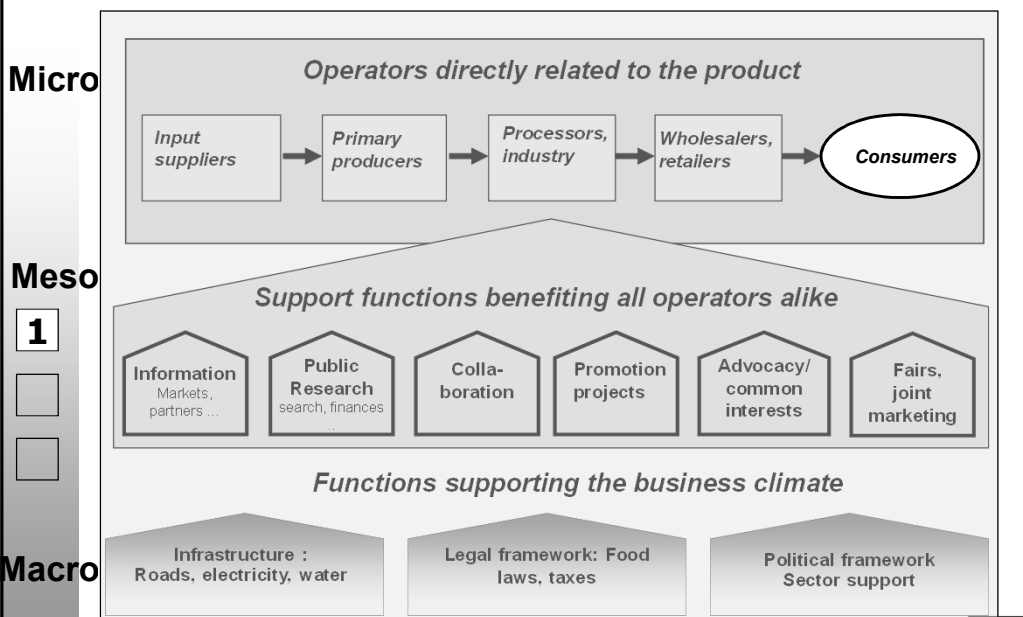
- Higher export earnings
- More investment
- More jobs
- Environmental sustainability

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Concept: micro – meso – macro levels



1

8



The goal dimensions of VCD

Economic growth

= greater *volume and higher value* generated (“a growing pie”)



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Environmental protection

Natural resources and the climate are utilized sustainably, generating a “one planet footprint” (“green” growth)

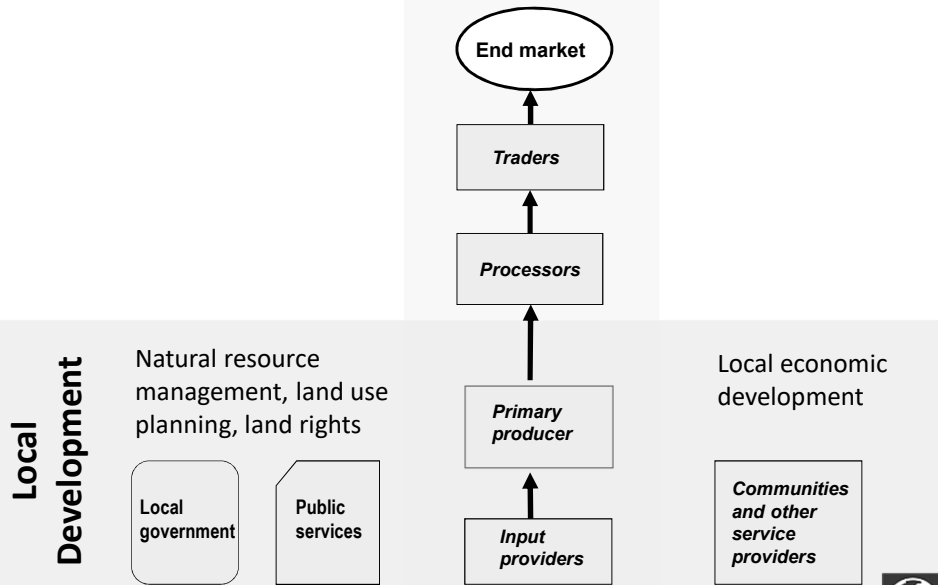
Inclusion of the poor

Poor people benefitting at least equally or above average from the income generated (“pro-poor, “inclusive” growth)



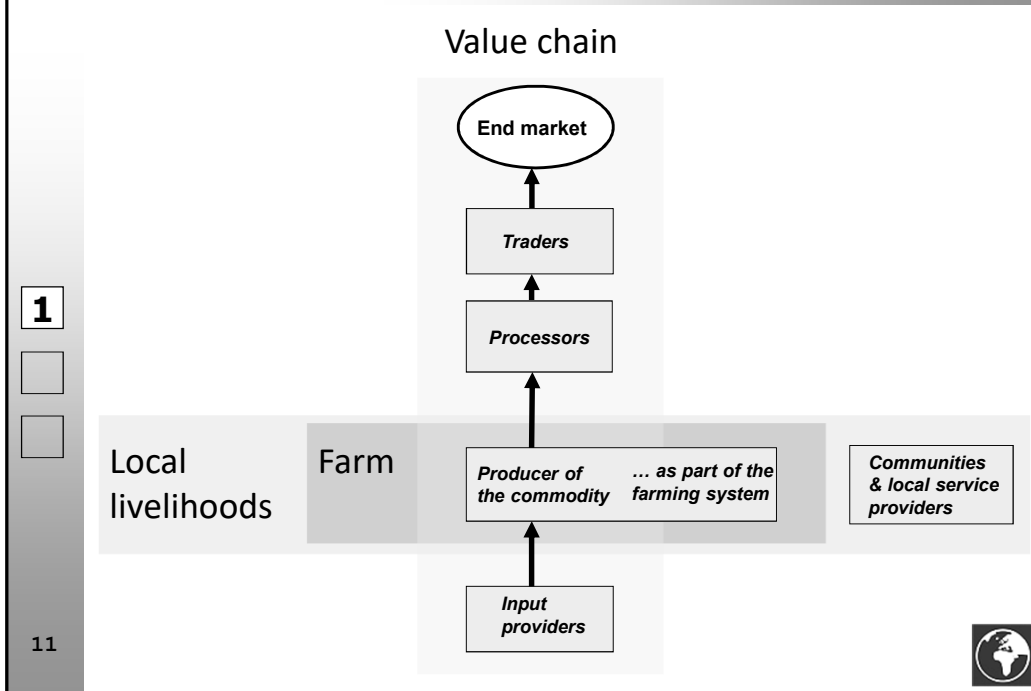
Combining VCD with local development

Value chain



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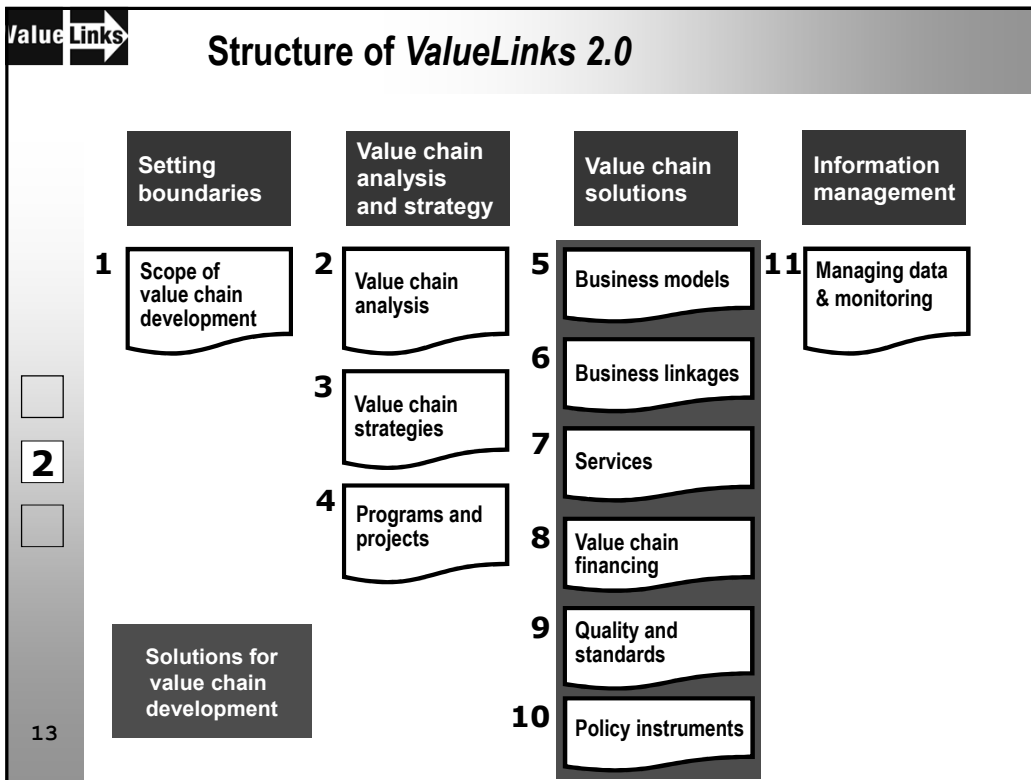


Value Chains –an introduction



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ValueLinks **ValueLinks subjects**

Analytical and decision-making tasks

| <i>Modules</i> | <i>Issues / Tasks</i> |
|--|---|
| Module 1 Scope of value chain development | <ul style="list-style-type: none"> ▪ Assessing potential and limits of value chain promotion ▪ Combining VC promotion with other approaches ▪ Determining the scope of value chains to be promoted ▪ Setting priorities across alternative value chains |
| Module 2 Value chain analysis | <ul style="list-style-type: none"> ▪ Structural analysis: value chain mapping ▪ Economic analysis of value chains ▪ Environmental analysis of value chains ▪ Social analysis of value chains |
| Module 3 Chain upgrading strategy | <ul style="list-style-type: none"> ▪ Strategic considerations for value chain development ▪ Agreeing on a vision for value chain development ▪ Choice of strategic options |
| Module 4 Programs and projects | <ul style="list-style-type: none"> ▪ Clarifying public, private, and donor roles ▪ Cooperation, Partnerships with the Private Sector (DPP) ▪ Steering instruments ▪ Managing VC development processes ▪ Capacity development and learning |

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Value chain solutions

| <i>Modules</i> | <i>Issues / Tasks</i> |
|---|---|
| Module 5 Business models | <ul style="list-style-type: none"> ▪ Business models for VC development ▪ Improving small-scale farm and SME business models ▪ Promoting and supporting entrepreneurship |
| Module 6 Business linkages | <ul style="list-style-type: none"> ▪ Brokering vertical supplier / buyer contracting ▪ Fostering horizontal cooperation - producer associations ▪ Cooperation at industry level / business matchmaking |
| Module 7 Services | <ul style="list-style-type: none"> ▪ Assessing service needs ▪ Solutions for operational services ▪ Support services for value chain development |
| Module 8 VC Financing | <ul style="list-style-type: none"> ▪ Financing needs ▪ Financial instruments in value chains ▪ Risk management in agricultural value chains |
| Module 9 Quality and standards | <ul style="list-style-type: none"> ▪ Quality management along the value chain ▪ Introducing sustainability standard systems |
| Module 10 Regulations | <ul style="list-style-type: none"> ▪ Policy instruments in the context of VC development ▪ Economic, environmental and social policies |



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Monitoring

| <i>Module</i> | <i>Issues / Tasks</i> |
|---|--|
| Module 11 Managing data and monitoring | <ul style="list-style-type: none"> ▪ Data collection and management ▪ Monitoring VC development ▪ Impact assessment |



2



ValueLinks **Manuals on value chain development**

ValueLinks 2.0

ValueLinks 2.0

ValueLinks 2.0

M4P

ILO

USAID

World Bank

IFAD

PMCA

FAO

IIED

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Scoping Value Chains

| Sector | Agriculture & Food | Tourism | Textiles & Clothing |
|-----------------|--|--|---|
| ↓ Sub Sector | Horticulture Dairy Meat Flowers ... | Wildlife Tourism Cultural Tourism Beach Tourism Conferences ... | Clothing Textiles Carpets ... |
| ↓ Chain | e.g. Horticulture: - <i>French Beans</i> - <i>Tomatoes</i> - ... | e.g. Wildlife Tour. - <i>National Park visit</i> - <i>Animal watching</i> - <i>Safaris</i> - ... | e.g. Clothing: - <i>Apparel</i> - <i>Knitwear</i> - ... |
| ↓ Channel | according to end product / marketing system - e.g. <i>table tomatoes sold in supermarkets</i> | according to marketing system - e.g. <i>as part of a package offered by tour operators</i> | according to marketing and retail system - e.g. <i>brand name apparel sold in specialty stores</i> |



Selection criteria

Economic criteria

- National / international market demand prospects
- Comparative advantages
- Opportunities for employment creation

Social criteria

- Prospects for inclusion of disadvantaged groups
- Need to improve working conditions
- Impact of the VC on surrounding communities



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Selection criteria

Environmental criteria

- Low negative impact of the VC functions on the environment
- Need to adapt to climate change
- Potential of “green opportunities”

Institutional criteria

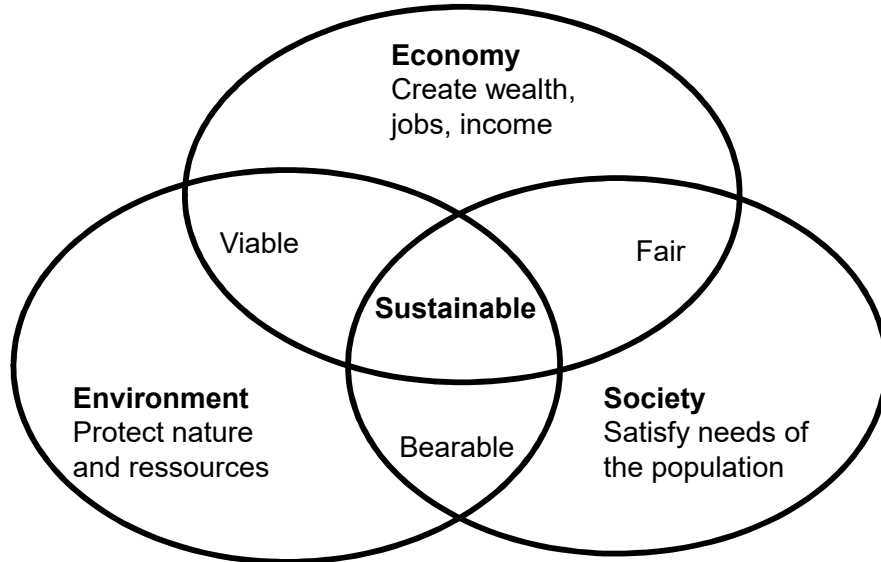
- Reasons and needs for a public investment
- Evidence of private sector / government / donors having plans for investments in the VC
- Sector policies and regulations are in place and effective
- Chain actors / government / donors / support organisations’ readiness to change, to collaborate and to align interventions
- Feasibility of the intervention



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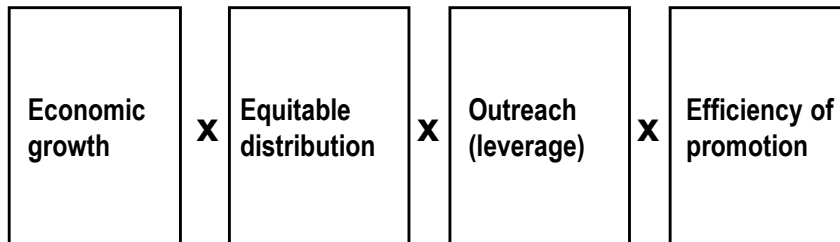
Three dimensions of sustainability



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Different goal dimensions



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Hypothesis: The conflicts between these different dimensions remain, that is: it will not be possible to attain all partial objectives at the same time

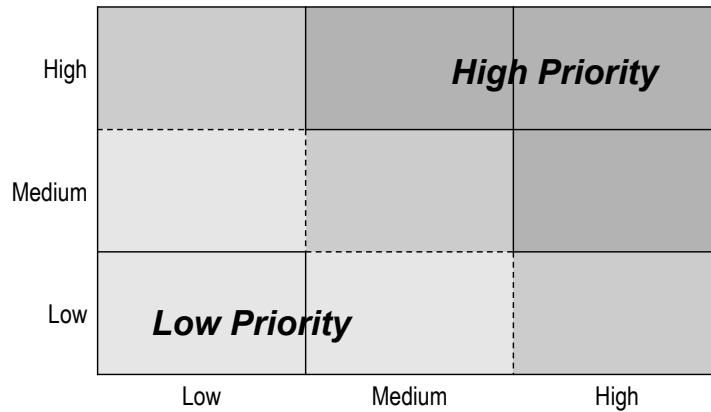


Short-listing matrix

Unmet Market Demand



3



Potential No. of MSMEs

25

Source: AFE – Action for Enterprise



How can we identify the right VCs to promote?



3

| Key criteria | Weighting | Score VC 1 | Weighted score VC 1 | Score VC 2 | Weighted score VC 2 |
|--|------------|------------|---------------------|------------|---------------------|
| Economic criteria | 0,3 | | | | |
| 1: High market demand | 0,12 | 5 | 0,6 | 3 | 0,36 |
| 2: Comparative advantages | 0,10 | 4 | 0,4 | 2 | 0,2 |
| 3: Employment creation potential | 0,08 | 3 | 0,24 | 1 | 0,08 |
| Social criteria | 0,2 | | | | |
| 1: Inclusion of disadvantaged groups | 0,10 | 5 | 0,5 | 3 | 0,3 |
| 2: Need to improve working conditions | 0,05 | 3 | 0,15 | 2 | 0,1 |
| 3: Impact on surrounding communities | 0,05 | 4 | 0,2 | 2 | 0,1 |
| Environmental criteria | 0,2 | | | | |
| 1: Low negative impact on the environment | 0,10 | 4 | 0,4 | 2 | 0,2 |
| 2: Need to adapt to climate change | 0,05 | 3 | 0,15 | 1 | 0,05 |
| 3: Potential of "green opportunities" | 0,05 | 4 | 0,3 | 2 | 0,1 |
| Institutional criteria | 0,3 | | | | |
| 1: National policy priorities | 0,05 | 5 | 0,25 | 3 | 0,15 |
| 2: Needs for public investment/new laws | 0,10 | 5 | 0,5 | 4 | 0,4 |
| 3: Evidence of own initiatives of VC actors | 0,05 | 5 | 0,25 | 3 | 0,15 |
| 4: Synergies with other programmes | 0,05 | 4 | 0,2 | 2 | 0,1 |
| 5: Feasibility and outreach of interventions | 0,05 | 3 | 0,15 | 1 | 0,05 |
| Total | 1 | 53 | 4,19 | 31 | 2,34 |

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