



Agro-Food Value Chain Interventions in Asia

A review and analysis of case studies

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UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION



Working Paper

December 2010

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Preface

This document has been prepared by Lasse Henriksen, Lone Riisgaard and Stefano Ponte of the Danish Institute for International Studies. The information for the working paper was compiled on the basis of six case studies of value chain projects in Indonesia, Sri Lanka and Vietnam that UNIDO commissioned in June 2010 in the frame of the IFAD/UNIDO supported project “Pro-poor Value Chain Development Tool for Practitioners”. Further feedback on an earlier version of the paper was provided during an expert group meeting held at UNIDO headquarters in Vienna in October 2010. The authors acknowledge the valuable comments and contributions by the experts at that meeting and particularly by Frank Hartwich and Patrick Kormawa of the Agribusiness Development Unit at UNIDO. For comments please contact Stefano Ponte at spo@diis.dk.

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Reference: Folke, L.; L. Riisgaard, S. Ponte, F. Hartwich and P. Kormawa (2010). Agro-Food Value Chain Interventions in Asia: A review and analysis of case studies. Working Paper. November 2010. United Nations Industrial Development Organization (UNIDO). Vienna, Austria.

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1 Introduction

Value chain development has become a key approach in both research and policy fields, with an increasing number of bilateral and multilateral aid organizations adopting it to guide their development interventions. At the heart of value chain concept lays the idea of actors connected along a chain producing and bringing goods and services to end consumers through a complex and sequenced set of activities. Poor agricultural producers often struggle to gain market access because they lack knowledge of market requirements or the skills to meet them. Furthermore, poor information flow and other obstacles in value chains prevent them from entering into new markets, or reduce the benefits they obtained from entry. Donor initiatives that foster value chain development, often with a focus on reducing poverty among smallholder farmers, are designed to overcome some of these obstacles. Often such initiatives try to mobilize the knowledge and resources of lead firms in value chains (such as retailers) to help poor producers as well as input and service providers to enter markets and add value.

This working paper has been set off by UNIDO with the purpose of synthesizing approaches and experiences in value chain development projects in Asia region. It consists of a conceptual review of different forms of value chain development projects emerging from the literature. It then engages in a comparative analysis of six field studies of value chain development projects in Sri Lanka, Vietnam and Indonesia (see Annex 1 for a brief description of the cases and Annex 2 for the framework used to assess the cases). Finally, the paper synthesizes a number of key issues emerging from both the review and the case studies. The synthesis focuses primarily on the issues of project design and formulation while featuring, to a lesser extent, issues related to other parts of the project cycle such as implementation, monitoring and evaluation. The paper pays particular attention to the peculiarities of developing pro-poor and gender-balanced value chains.

The working paper is part of the results of a project that aims at consolidating methods and tools of value chain analysis in Asia region to develop a guideline for pro-poor value chain development interventions in the agro-food sector. The guideline will provide a simple step-by-step approach to analyzing value chains and designing pro-poor value chain development projects. It will assist practitioners in design and management of value chain development projects as well as public officers at national, regional or local level dealing with agri-business and/or agro-industrial value chain development programmes.

The term chain suggests a focus on ‘vertical’ relationships between buyers and suppliers and the movement of a good or service from producer to consumer. It also can involve the exchange of knowledge and vertical and horizontal learning between the various actors in the value chain. The value chain approach has become a key concept in both research and policy fields, with an increasing number of bilateral and multilateral aid organizations adopting it to guide several of their development interventions. For the purpose of this working paper, “value chain development” can be understood as applying the value chain approach to development interventions including interventions aiming at:

- forging or strengthening new links within a value chain;
- increasing the capabilities of target groups to improve the terms of value chain participation;
- minimizing the possible negative impacts of value chain operations on non-participants and/or adjacent communities;
- and (in few cases) creating new value chains.

Interventions might be targeted at domestic, regional or international value chains. Interventions are not necessarily targeted at the whole value chain – they can also be delimited to a section of a value chain that includes one or more vertical links. Also, there may be interventions that are not framed

by a ‘value chain language’; many private sector development projects and other projects focus on creating vertical linkages in production, processing and trade functions and follow the logic of the value chain approach. The study has taken into account such projects as well. However, projects aimed merely at providing extension services, generic skills development, improving organizational capacities etc. were not included in the analysis, unless they were explicitly or implicitly placed within a value chain context.

Box 1: Value chain terminology used in this report

- *Upstream*: In a value chain where materials are transformed from a raw status into products that are marketed to consumers, *upstream* means refers to the activities related to and the flows towards primary production. *Downstream* refers to the activities further down the chain and flows of products towards consumption.
- A *node* is the point in a value chain where a product is exchanged from one actor to the next or goes through a major transformation or agro-food processing.
- A *segment* is a vertical part of a value chain between two nodes, for example from production to export, or from import to retail.
- *Value chain development* can be understood as any concerted effort to improve the conditions in the value chain. It usually implies a change in participation of beneficiaries in value chains enhancing rewards and/or reducing exposure to risks. Rewards and risks should be understood not only in financial terms but also in relation to the environment, poverty alleviation and gender equity.
- *Value chain interventions* are focused on improving or forging vertical linkages along value chains (in production, processing and trade functions) with the view of improving the functioning of the value chain and/or the terms of participation of selected beneficiaries. Interventions may be targeted at domestic, regional or international value chains.

2 Value chain development: A review of common approaches

Value chain approaches to development do not only focus on the phase of project preparation, including the value chain selection and analysis, but also during the design and implementation of development project activities. Some of the more prominent agencies carrying out value chain interventions¹ have even developed their own value chain approaches with more or less full-fledged methodologies and tools that they follow. Other agencies adopt and adapt the approaches developed by the larger agencies. In other words, value chain analysis and its application in development projects are being interpreted differently by different donors with important repercussions for how projects are structured, and eventually for their development impact. This makes it all the more pertinent to compare dominant approaches developed by some of the more significant donors. This section provides an overview on arguments made in the literature on value chain development and an analysis of how this literature can inform good practice in value chain development.

2.1 Differentiating interventions on the process of analysis: Expert-driven, participatory and partnership approaches

One way of differentiating value chain development approaches is by examining the research process and asking how donors obtain sufficient knowledge about the workings of specific value chains and how this knowledge is subsequently translated into development strategies. The question of how donors go about analyzing value chains is not purely a question of methodology. Equally important are the political mandate of a given donor agency and how such agency usually goes about dealing with partners and beneficiaries.

As Altenburg (2007) argues, donors intervene in complex socio-economic systems that influence the livelihoods of people in important ways. Some donors are interested in involving beneficiaries when they gather knowledge and strategize about a certain development project. This is because beneficiaries may sometimes carry knowledge that is difficult and expensive to gather with traditional scientific methods, but also to give them a say with respect to the desired outcomes of the intervention and as a result create some form of recipient ownership. In reviewing existing approaches to value chain analysis among donors, Altenburg (Ibid.) identifies three different approaches depending on how donors, project partners and beneficiaries relate to each other. First, he talks about ‘the comprehensive planning approach based on detailed analytical value chain mapping’, which henceforth is referred to as the *expert-driven approach*. Second, he identifies ‘participatory workshop-centred tools for value chain analysis with less academic rigour’, where donors mainly play the role of facilitator and provide financing. Henceforth this is referred to as the *participatory approach*. Third, he mentions ‘incentives for private sector-driven projects’ where financing is the sole activity of donors, and where corporate partners carry out project planning, research and implementation themselves. This is henceforth referred to as the *partnership approach*.

¹ Some of the more prominent agencies that are doing value chain interventions in the Asia region are: government agencies, such as United States Agency for International Development (USAID), Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Australian Government's Overseas Aid Program (AUSAID), Swiss Agency for Development and Cooperation (SDC), Danish International Development Agency (DANIDA) and Swedish International Development Agency (SIDA); non-governmental organizations, such as Traidcraft; international organizations, such as the Food and Agriculture Organization (FAO), International Fund for Agricultural Development (IFAD) and the International Labour Organization (ILO); commercial companies, such as Unilever and FIAT; and research institutions, such as the International Potato Center (IPC) and The Australian Centre for International Agricultural Research (ACIAR).

Expert-driven approaches

Some donors have developed methodologies in the form of diagnostic tools, manuals and guidebooks that are supposed to guide experts and practitioners conducting value chain analysis, usually to inform projects in the pre-design phase. These include not only detailed step-wise planning procedures that situate experts (mostly brought in by donors) at the centre of analysis, design and implementation, but also detailed quasi-academic methodologies to map flows of knowledge and economic resources, measure output values at different parts of the chain, ways of covering export market potentials through development of performance benchmarks, regional promulgation of value chains, inter-firm linkages and cooperation. While they vary in the level of detail and what scale and scope of analysis is required, they all require rigorous analytical work by experts who have sufficient time, resources and education to carry it out. While some may also make use of stakeholder participation in this process, the overall weight is placed on experts driving the process of data gathering, processing and analysis.

A prominent example of this approach is GTZ's ValueLinks Manual (Springer-Heinze 2007) which is structured into 12 modules spread over the entire project cycle. Its objective is to structure 'the know-how of value chain promotion' (Ibid., 1). The manual has no specific sector as its unit of analysis, but claims to be targeted at those product markets, which can improve conditions and market access for SMEs. Although ValueLinks mentions participatory workshops as a potential means with which to map value chains, the overall focus is on expert-driven analysis and how to carry this out. Value chain analysis is carried out primarily in module 2 but research tasks are also outlined in module 1 (on value chain selection) and module 3 (on choosing upgrading strategies).

ValueLinks calls for five concrete analytical tasks that should be carried out before starting on genuinely designing a value chain intervention. First, market research assessing among other things demand conditions should be carried out to make sure a certain product is at all feasible as an object of intervention. Second, value chain mapping should visually represent the variety of actors involved in moving a product downstream and the linkages. It should, according to ValueLinks, involve business operations, chain operators and chain supporters in order to be comprehensive. The manual mentions the importance of covering the whole chain (Ibid. pp. 5, 14), though it may remain with the analyst to define what constitutes the 'whole chain' both in terms of geographical and functional coverage. Third, chain dynamics should be quantified in detail attaching numbers to the amount of operators (including a specification of poor operators), jobs and employees for each operator, prices paid at each node where the product goes from one actor to the other, volumes and turnover at each stage, shares of product flow in sub-chains, and market shares of the chain in relation to total sales value in the overall market (Ibid. p. 16). It is further suggested, that sometimes special studies such as analysis of business linkages and governance or stakeholder analysis are also required. Fourth, economic analysis and calculations should be carried out detailing the value-added, production costs and competitiveness benchmarks among other things in order to identify cost drivers, transaction cost issues or competitiveness problems (Ibid. pp 19ff). Fifth, an opportunities and constraints analysis should be performed in order to link preceding analytical steps to the design and strategizing phase where decisions are taken as to where, how and with whom to intervene.

Manuals that follow a similar approach as ValueLinks have been developed by USAID (Lusby, 2007), the Food and Agriculture Organization as well the Department of International Development (DFID) together with the Swiss Agency for Development and Cooperation (SDC) or the International Labor Office.² These manuals, however, differ in their developmental approach (e.g. market access) and focus on developmental goals (e.g. poverty reduction or decent work).

² For a further review of a selection of these manuals, see UNIDO (2009).

Participatory approaches

Other instruments of value chain analysis build much less on rigorous approaches but more on interaction with and mobilization of the knowledge of value chain actors and partners through stakeholder participation. Participatory methodologies are on the rise. Altenburg (2007) only mentioned two but since his review many more have surfaced. Some of these approaches do not limit themselves to employing participatory methods in knowledge gathering and value chain analysis, but are also concerned with engaging stakeholders in the design and implementation phases. Experts may as well play important roles in these approaches, but rather as facilitators than main drivers of analysis and design.

A prominent example that has inspired many others is the Participatory Market Chains Approach (PMCA) developed by the International Potato Center in Peru (Bernet et al. 2006). This approach is a development-oriented Research & Development method, which highlights the role of participants in innovation processes along 'market chains'. It aims at stimulating such processes by enhancing stakeholder collaboration and trust (e.g. by setting up forums that not only analyze constraints). It also seeks to build on participants' own business ideas in identifying opportunities for upgrading (Ibid.). The PMCA is employed in one of the in-depth case studies analyzed later in this paper. Participatory market analysis is also the subject in Practical Action's Mapping the Market tool. (Albu and Griffith 2005).

Another example is the gender-sensitive approach Gender Action Learning System (GALS).³ The methodology uses a community-led process where participants develop their own analysis of development constraints and implement their own strategies for addressing in particular gender inequalities and value chain upgrading without having to wait for external experts (Mayoux and Mackie 2009; Baluku et al. 2009; Riisgaard et al 2010b).

Partnership approaches

There are also situations where donors pursue an entirely different approach to VC interventions: instead of engaging themselves they primarily work through cost-sharing grant schemes for larger, often Western, companies that are engaged in product procurement while also engaging in development or Corporate Social Responsibility (CSR) activities. If companies can demonstrate that their activities can improve chain performance and also benefit the poor, for instance, then some donors will cover a share of the costs of development. Often these kinds of projects take the form of supplier development and technology transfer projects that also seek to improve sourcing conditions for such large companies. This approach rests on the idea that companies know best what 'markets want' and what potential suppliers need to change in order to meet such conditions. Moreover, they are often the actors who define entry barriers and set product standards. The approach, however, is subject to the existence of lead firms in the chain. Some of the most prominent examples of this approach are run by GTZ, USAID and DfID. Some funds are conditional on national business linkages, while others have no pre-set conditions (for examples see Altenburg 2007).

2.2 Differentiating interventions on the kinds of actors and linkages they engage: The role of lead firms

Another way of differentiating approaches to value chain development is by looking at what kinds of actors and linkages donors work with. In a recent paper on donor approaches to value chain development, Humphrey and Navas-Alemán (2010) review 30 cases of value chain projects and

³ The GALS methodology originated in work on a generic methodology, Participatory Action Learning System (PALS) by Linda Mayoux with entrepreneurs and staff of GreenHome, Bukonzo and Kabarole Research and Resource Centre in Uganda, Port Sudan Small Enterprise Development in Sudan, ANANDI in India, Aga Khan Foundation Pakistan and Trickle-Up, US.

identify two prevailing modes of intervention: one which primarily intervenes around strong actors and uses those as a leverage point for upgrading; and another which focuses intervention around weaker actors in order to improve their participation in the chain. Of the 30 cases reviewed, 13 were characterized as lead firm interventions and 17 as non-lead firm interventions. The two modes are not always mutually exclusive, but the first tends to work through partnerships with so-called lead firms and through these influence weaker actors, whereas the other works more directly with weak actors – creating new links or changing existing ones. Often the choice of whether to work with lead firms will depend on donors’ political mandate and sometimes simply on specific opportunities arising in terms of partnerships.

Lead-firm interventions in agriculture

The idea of lead firm projects is that donors partner up with large (often multinational) firms as actors who can - due to their strategically important position in the chain’s governance structure – have a large-scale impact on smallholders in terms of stable demand and price premiums, as long as suppliers manage to deliver what lead firms demand. Intervening in and through lead firms however, does not always mean simply working with one or a few large firms, but sometimes involves a broader set of actors (Humphrey and Navas-Alemán 2010).

Humphrey and Navas-Alemán further distinguish two forms of lead firm interventions: first, supplier development programmes that work mostly with transnational lead firms in the manufacturing or service sectors; and second, lead firm interventions in the agricultural sector that often work by linking farmers with large processors. This review will only consider the latter.

A number of agencies have experience in working with large companies in agricultural development. USAID is especially known for its long-standing track-record in this field. It has developed its own approach to value chain interventions in the field of agriculture where lead firms play a particularly important strategic role as points of linkage (Lusby, 2007). In the past decade it has run several programmes in Asia, where linking with lead-firms, if not making up the sole purpose of the intervention, has been the key instrument of development.⁴ The lead firm approach is discussed further below in relation to the cocoa case study.

Non-lead firm interventions: chain linkage programmes

From reviewing 13 chain linkage interventions in the area of agriculture, Humphrey and Navas-Alemán found that most interventions were based on the overall diagnosis that smallholders

⁴ For instance, USAID’s first enterprise development program in India, *The Growth-Oriented Microenterprise Development Program* (GMED), is a technical service program implemented by ACDI/VOCA focusing on fruit and vegetables, organically certified food products, maize value chain improvement, and the integration of HIV/AIDS-affected communities into commercial supply chains. The main aim and result of this program was that it facilitated the signing in 2008 of a memorandum of understanding between a major Indian food exporter and retailer, Radkkrishna Foodland, and the Nandani Fruit and Vegetable Growers’ Cooperative Society consisting of more than 5000 farmers. Moreover, improvements to quality assurance and productivity, establishment of certification schemes and better linkages between buyers and sellers have been achieved. There is still no evidence available as to the impact of this agreement in terms of farmer incomes or poverty reduction, but a preliminary indication of success is that the Nandani Co-op currently has plans to contact other large retailers. Unfortunately, the value chain analysis that was conducted prior to and during the project’s design and implementation is not publicly accessible, however the value chain approach taken by GMED emphasized enterprise development following ‘the principle that the growth of micro and small enterprises must be driven by sustainable growth strategies for all of the firms in a value chain.’ Moreover, there was a focus on the importance of linking with regional markets. ACDI/VOCA then developed partnerships with lead firms and NGOs, which were to provide so-called ‘embedded business development services’ to enterprises along the value chain as an ‘integral part of their commercial transactions’. Thus, GMED came to work as a service facilitator, rather than a traditional service provider whose role was taken on by civil partners. The ultimate goal of the project was to enhance MSE growth opportunities by expanding the scope of the embedded services being provided by corporate and NGO partners, helping to make them more effective.’ <http://www.acdivoca.org/site/ID/indiaGMED> (accessed on July 20, 2010)

benefitted little from their market potential either because they lacked the knowledge and capacity to do so or because they simply did not have the business links to move their products downstream. Interventions were thus designed to address such constraints in one form or the other. In the area of agriculture weak chain linkages can have particular severe consequences due to specific conditions that influence product quality. Lack of packaging and storage opportunities, for instance, can affect freshness of output. Many cases of such interventions exist, but one prominent example is the Katalyst project on Accelerating Growth in the Pond Fish Sector which has been analysed in a case study report conducted by de Wildt (2007).

2.3 Differentiating interventions on their response to broader development goals: Poverty, gender and the environment

The value chain approach traditionally revolves around analyzing the structure, actors and dynamics of value chains, including examining the typologies and locations of chain actors, the linkages between them, and the dynamics of inclusion and exclusion. It also entails understanding the structure of rewards, the functional division of labour along a chain and its changing shape and the distribution of value-added. Past applications of value chain research, however, has failed to consider in a consistent manner the terms under which poor people participate in value chains and the impact of value chain interventions on poverty, gender and the environment (Bolwig et al. 2010). Conversely, approaches that look in detail at the local dynamics of livelihoods and changes in the depth or nature of poverty or at gender and environmental issues often downplay the ways in which these issues are shaped by value chain dynamics and restructuring (Ibid.). Below we discuss value chain development in relation to poverty, gender and the environment in turn.

Value chain interventions and poverty

Almost all donor-supported value chain development projects work under the assumption that value chain development will help reducing poverty. It is assumed that there is underutilised potential in value chains for improving the incomes of poor producers or the employment prospects of poor people. Thus by making value chains function more effectively, for example by improving flows of knowledge and establishing linkages, it is expected that interventions will benefit the poor. However apart from this general assumption about the connection between value chain development and poverty reduction, the approach to poverty reduction differs tremendously between interventions.

Some approaches focus solely on making value chains work more efficiently and have little or no poverty focus apart from the overall assumption that benefits will automatically reach the poor. It can be argued for example, that some of the market-oriented approaches are centred on economic growth as its main goal rather than poverty reduction per se. Sometimes, a value chain development intervention is qualified pro-poor simply on the basis of the fact that the primary commodity used in the value chain is produced, at least in parts, by small-scale resource-poor farmers. Other approaches focus more specifically on achieving poverty reduction outcomes, for example by targeting specific groups of poor people or by analyzing and addressing the constraints that prevent poor people from participating in or benefiting from value chain participation. An example of the latter approach is the M4P (Making value chains work better for the poor – see www.markets4poor.org) programme.

One of the research questions addressed in Humphrey and Navas-Alemán (2010:16) is ‘How were the VC interventions linked to poverty alleviation strategies, and what attempts, if any, were made to focus interventions on the poor?’ From analyzing relevant literature and 30 case studies, they find that in general there is not enough evidence on poverty alleviation impacts from interventions to claim that they are effective or efficient in helping the poor. Furthermore, they conclude that ‘the poverty focus of value chain interventions is not clear (which of the poor are being targeted, what kind of poverty is being targeted and how)’ (Ibid.: 29). Humphrey and Navas-Alemán find that projects that attempt to target the poor do so in three main ways:

- 1) by targeting areas where the poor live (geographical focus);
- 2) by targeting sectors where the poor are more likely to be earning a living (sectoral targeting); or
- 3) by working with specific groups of poor or vulnerable people (social targeting).

On the basis of the distinction between ‘lead firm’ and ‘linkage’ interventions mentioned before, Humphrey and Navas-Alemán find that although interventions differ, ‘overall, the explicit linkage of lead firm interventions to poverty reduction seems to be quite weak. The linking of SMEs to large firms and the development of links between farmers and agribusiness companies was quite often viewed as poverty reducing without any further justification’ (Ibid.: 39).

Targeting value chain interventions towards the poor was found to be much clearer in so called ‘linkage interventions’. In this group of interventions, several projects identified and targeted particular disadvantaged groups and projects often worked with the poorest directly, enhancing their assets and supporting improvements in value chain knowledge and negotiating power.

Value chain interventions and gender

Women are in most cases more disadvantaged than men in the context of value chain operations (e.g. limited access to information, training and markets), and many development organizations have begun to recognize and address the need for a more active gender strategy in relation to value chain interventions.

However, gender is approached in markedly different ways in value chain analyses and interventions, depending on how gender equality is conceptualized (Riisgaard et al 2010). At the 'lighter' end of a continuum one can situate interventions that display increased awareness (and monitoring) of gender-specific impacts. Other interventions are more directly focused on increasing quantities of and gains for female chain participants, or in some cases simply to ensure that no harm is produced. At the other end of the continuum are interventions that address gender inequality at the level of the household, in institutions and in value chain governance, or that attempt to help women achieve a better functional position along a value chain (see for example the approach employed by members of the Agri-ProFocus network⁵). In previous work reviewing gender in value chain projects (Riisgaard et al 2010) distinction was made between:

1. Whether the value chain intervention is 'generic' or targeted to women.
2. Whether gender issues are included in the value chain analysis, in base line indicators and in monitoring/evaluation.
3. Whether the value chain intervention is seeking to:
 - a. include more women in the chain;
 - b. improve the terms of inclusion of existing female actors in the chain or at least to ensure that no harm is produced;
 - c. address gender inequality at the level of the household, institutions/organizations and/or value chain governance; or
 - d. help women achieve a better functional position in the value chain.

One can conclude that even though there is an expanding number of methodological 'toolboxes' for gendered value chain analysis providing 'how to' guidance for researchers and practitioners (e.g. Rubin et al., 2009; Flores and Lindo, 2006; Mayoux and Mackie, 2008; Riisgaard et al., 2008) there is a paucity of robust evidence of the gender impact of both generic and gender-focused value chain interventions.

Although generic value chain interventions can (in specific circumstances) have positive effects for participating women, evidence also shows that more gender-sensitive value chain analysis, intervention designs and implementation plans are required in order to secure such impacts and to avoid negative consequences (Riisgaard et al 2010). Lack of mobility, lack of access to assets and markets, and lack of linkages to other value chain actors are often major gender-based constraints in relation to value chains. However, such constraints can be addressed by value chain interventions that include specific gender strategies (such as for example forging women-focused vertical and horizontal linkages). Specific measures are required to ensure that women's participation leads to gains, beyond increasing the number of women participants. Facilitating better bargaining power both in relation to other value chain actors (e.g. buyers, input suppliers) but also in relation to intra-household gender dynamics (e.g. negotiations over distribution of income) can also help improve gains (Ibid.).

⁵ Agri-ProFocus is a network on gender and agricultural value chains consisting of ICCO, Oxfam Novib, HIVOS, SNV, Cordaid, KIT, Solidaridad and CIDIN.

Value chain interventions and environmental issues

No systematic review of how (if at all) value chain interventions approach environmental issues could be identified by the authors. According to Bolwig et al. (2010), value chains affect the environment by the way primary production uses and interacts with the local resource base (for example, biodiversity, soil and water) and by the emissions of nutrients, toxic substances and greenhouse gasses (GHG) from production, processing, transport and other activities along the value chain. When studying environmental impacts and management in the context of value chains, it is useful to distinguish between two types of processes, based on the scale at which they operate: (i) *local processes* related to the management and use of local natural resources, where the impact is mainly confined to the area of production, including positive or negative impacts on local biodiversity, soil fertility, soil and water contamination, and water availability; and (ii) *global processes* that transgress ecosystem and landscape boundaries and are accumulated along the entire value chain and therefore have impacts and must be managed on a much larger scale, for example emissions of GHGs or toxic substances.

Further it is important to not only consider environmental impacts on the level of production and processing but also on the level of consumption, waste disposal and recycling following a life cycle approach (Herndor, Kuhndt and Tessema 2007).

Common environmental issues to be approached through development projects and which could be targeted via value chain interventions include the following:

- Land used for production and processing;
- Efficiency of energy use;
- Sources of energy;
- Water use and contamination;
- Quantity and quality of chemicals;
- Waste production and management;
- Possible effects of production and processing on ecosystems;
- Pollution potentials such as acidification, eutrophication and others; and
- Greenhouse gas emissions.

3 Methodology

The aim of the six case studies was to collect experiences focusing on the relationships between value chain analysis/assessment in the pre-project phase on the one hand and project design, implementation and outcomes on the other hand. The studies of the six value chain project cases were carried out by local experts in Vietnam, Sri Lanka and Indonesia. The case studies followed a common methodology developed by DIIS in collaboration with UNIDO and the local experts. The methodology was pilot-tested on a value chain development project in Indonesia. Detailed guidelines were developed on how to gather, analyze and report information on experiences in the project cases along the lines of descriptive and analytical criteria employed on the different levels of the project cycle, i.e. value chain selection and analysis, project design, project implementation and project outcomes (see Annex 2). The below discussion follows the sequence of criteria developed in the framework.

In relation to the *value chain analysis and selection* phase, the following key areas of content were among things covered: whole chain analysis; identification of underlying systemic constraints; the level of ownership achieved with key players; and identification of pro-poor, environmental and gender specific issues. Concerning *project design and value chain strategies*, a focus was placed on: the relation between them and value chain analysis; on their value chain focus; on whether systemic constraints were addressed; on whether pro-poor, environmental and gender specific issues were addressed; and on project sustainability. *Project implementation* was covered in terms of the challenges that emerged, the adjustments that were initiated as a result and their potential relation to value chain analysis. The *project evaluation and outcomes* phase focused on the relation between value chain analysis and project outcomes, in particular outcomes that could be justified as pro-poor, gender-specific and environmentally sustainable.

Since the project cases studied were very different in nature, the relevance of the analytical assessment criteria varied depending on the structure of the specific projects under analysis. But in general, the objective as to collect information on the organizations and individuals engaged in the respective value chains targeted, the scope and orientation of operations, strategic objectives, achievements, adjustments and personal opinions. In all case studies entry point and most important source of information were managers and staff of the projects studied. However this information was complemented by interviews with a wide range of key stakeholders of the project and in the value chains. Further, available project documents and reports were reviewed in order to verify and complement the information gathered in the interviews.

Based on cases encountered in the literature search, a long list of relevant value chain projects in Asian countries was elaborated employing the following selection criteria:

- The projects are pursuing a ‘proper’ value chain intervention, in the sense of the definition given earlier (i.e. the project aim at forging vertical linkages along value chains in production, processing and trade functions while improving the functioning of the value chain and/or the terms of participation of selected beneficiaries);
- There is documentation on the project available which discloses sufficient data for analysis;
- The projects are of a sufficient scope, scale and importance in relation to the size of the sector in the countries where they operate;
- The projects represent variations in their approach to value chain development and with regard to products/sectors.

A short list of potential projects to be studied was developed. Substantial information provided by IFAD assured that 3 out of 6 cases were IFAD-funded projects. Accessibility of project sites was

another criteria considered. On this basis Indonesia, Vietnam and Sri Lanka were chosen as case study countries in each of which to cases of value chain projects were to be studied. A brief description of the cases is provided in Annex 1.

4 Developing agro-food value chains in Asia: a case study analysis

In this section, the six case studies are analyzed comparatively building on the analytical framework presented above along the four project phases: 1) selection and analysis; 2) design; 3) implementation; and 4) evaluation and outcomes. Each part will deal with questions identified in the framework as well as other emerging issues.

4.1 A brief introduction of the cases

In the following the overall landscape of the cases in question is briefly introduced (for more detailed information, consult project descriptions in annex 1). As one can see from Table 1, the cases consist of interventions targeted at six different value chains (coconut, rice, anthurium, rubber, cocoa and potatoes) in three different countries (Vietnam, Sri Lanka and Indonesia). Three are funded by IFAD, two by USAID (one jointly with IFAD), one by the Swedish International Development Cooperation Agency (SIDA) and one by the Australian Centre for International Agricultural Research (ACIAR). Each one of the projects is linked up with a variety of project partners ranging from other donors and international organizations to state agencies, private companies, NGOs, research institutions, professional organizations and pressure groups. Project duration varies between 4 and 10 years with the majority currently in the mid-term implementation phase. The anthurium project recently ended and was evaluated. The cocoa project is in the very final phase with decisions on whether to continue activities soon to be taken. The potato case is also soon phasing out and considerations for a prolongation are made.

Table 1: General characteristics of projects studied

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6
<i>Country</i>	Vietnam	Vietnam	Sri Lanka	Sri Lanka	Indonesia	Indonesia
<i>Project title</i>	Coconut Value Chain of Bentre	Rice Value Chain of TraVinh	Enter Growth Project Anthurium Value chain	Moneragala Rubber Smallholders Sub-Program	AMARTA project	Linking Vegetable Farmers with Markets in West and Central Java
<i>Project location</i>	Bentre Province	Tra Vinh Province	Kurunegala District	Moneragala District	Sulawesi and Bali Islands	Central and Western Java
<i>Project owner</i>	IFAD	Provincial People Committee and IFAD (funder)	SIDA	USAID and IFAD	USAID	ACIAR and AUSAID (funder)
<i>Project partners</i>	Department of Planning; Investment, Prosperity Initiative	German Technical Assistance Agency (GTZ)	ILO (implementer)		Development Alternative Inc. (implementer)	SwissContact; International Potato Centre (CIP); Indon. Vegetable Research Institute; Univ. of Adelaide
<i>Budget size</i>	n/a	n/a	US \$5.1 million	US \$22.5 million	US \$21 million	AUD 550000
<i>Target value chain</i>	Coconut	Rice	Anthurium (flowers)	Rubber	Cocoa	Potato
<i>Project length</i>	May 2008 - Mid 2012	Late 2008 - June 2012	June 2005 - September 2009	November 2007 - 2017	2006 - June 2011	February 2008 - January 2012
<i>Project predecessor</i>	No	No	Yes	Yes	Yes	Yes

Only the Vietnamese cases (rice and coconut) can be considered as isolated projects in the sense that their analysis, selection, design and implementation was performed relatively independently of any other or former intervention targeted towards that chain. The rest of the cases build to some

extent on other projects - some by coupling with larger projects or programmes, and some by continuing or revising former projects of a more or less similar kind.

4.2 Value chain analysis and selection

Comparing the process of value chain selection and analysis reveals that all cases were concerned with improving existing value chains (and thus not creating new ones). However, the approaches to analyzing and selection have been rather diverse. In some cases a project organization was built up from scratch, others were continuations of former projects whose ownership had been taken over by a new agency. All cases used participatory approaches in some form or another, but most were expert-driven at the stage of analysis and selection. Concerning project methodologies, in all cases a whole chain approach was applied, but in three cases influence of non-research related concerns such as institutional mandate and project history could be detected. All cases addressed the issue of achieving ownership by the actors in the value chain, but success in this matter varied greatly. The pro-poor dimension is covered generically in all cases, but only one used effective targeting techniques to reach the poorest. In fact, the case studies revealed that gender and environmental issues were not given sufficient consideration.

4.2.1 Whole chain approach

Each case was examined regarding the question which value chain methodologies had been applied; whether the analysis covered the whole scope of the value chain or if it was limited to one or a few nodes (e.g., did it include end markets and input supply?); and if so whether the analysis of the whole chain was sufficiently substantive going beyond simple mapping exercises. Did it, for instance, specify all the actors participating in the value chain, did it specify how products are transformed, the magnitude of the value added at each stage, or which actors are engaged in power relations along the chain?

Again the analyses reveals that the assessments conducted in each of the projects has been using very different methodologies, with varying degrees of depth, scale and scope and following diverse approaches. Some value chain assessments took the form of a review of existing assessments (cases 4 and 5), whereas others engaged in a full-scale value chain analysis ranging from participatory to expert-driven approaches (cases 1-3).

All cases adopted the 'whole chain approach', but the extent to which this conceptual orientation translated into comprehensive whole chain assessments varied substantially across cases (see Table 2). While much analysis was skewed towards or focusing on the production side (perhaps not surprisingly, as most agencies working with agricultural development are used to working with farm-level problems), all analyses included elements, actors and linkages beyond farm-level.

As Table 2 shows, mapping of the core processes, actors and geographical, product and information flows in the chains was performed in all six cases (with the only exception of services mapping which was absent from all). However, the scope, depth and quality of these exercises varied greatly.

Table 2: General content of value chain analysis

	Case 1: coconut	Case 2: rice	Case 3: anthurium	Case 4: rubber	Case 5: cocoa	Case 6: potato
<i>Form</i>	Stand-alone analysis	Stand-alone analysis	Stand-alone analysis	Primarily review-based	Primarily review-based	Review-based
<i>Analytical focus</i>		Production capacity & export opportunities	Export opportunities	Production capacity	Production capacity	Marketing innovation
<i>Core concepts used</i>	Competitiveness, demand analysis	GTZ approach	Local comparative advantage (LOCA) and local economic development (LED) approach	USAID cluster approach	Supply chain competitiveness	Participatory Market Chain Analysis (PMCA)
<i>Mapping of core processes</i>	Yes (both local and global)	Partial, production bias, only qualitative	Partial (lacks input supply analysis and local markets)	Partial (focus on supply side)	Yes (lack of input supply)	Partial (focus on marketing innovation)
<i>Mapping of actors and geographical flows</i>	Yes	Partial, production bias, only qualitative	Partial (level of VC embedding in target district not ascertained)	Partial (focus on supply side)	Yes (except for input supply actors)	Yes
<i>Mapping of product and information flows</i>	Yes	Partial, production bias, only qualitative	Insufficient	Partial, supply side bias	Yes	Yes
<i>Product volume</i>	Yes	Insufficient	Insufficient (only qualitative)	Yes	No	Yes
<i>Economic structure: value mapping, competitiveness and profitability</i>	Yes (with focus on competitiveness and demand analysis)	Insufficient	Insufficient (disparate, not systematic, no value added, no profitability forecasts)	Partial (focus on supply side)	No	Partial (focus on fresh product, some value-added)
<i>VC governance</i>	Partial (indirectly through mapping)	Yes	No (only indirectly on input supply constraints)	Yes	Yes	Yes
<i>Market and market relationship mapping</i>	Yes (both local and global)	Insufficient	Insufficient	Insufficient	Assumptions on existing markets and buyers	Yes
<i>Services mapping</i>	Insufficient	Insufficient	Insufficient	Insufficient	No	Yes
<i>Benchmarking with competitors</i>	Yes (analysis of regional competitors key)	Insufficient	Insufficient (based on observation about decline in export value)	Yes (detailed benchmarking with both global and regional competitors)	No	No
<i>Systemic constraints identified</i>	Yes (various)	Yes (various)	Yes (various, but only for export sector)	Yes (various)	Yes (various)	Yes (various)

In cases 4 and 5, no comprehensive stand-alone analysis was conducted – strategies and design were primarily based on reviews of existing sector-specific or value chain studies. Case 4 took a clustering approach and thus had a narrow geographical focus.⁶ In case 1, the mapping exercise covered the full scope of actors and flows from input supply to end markets (both local and global). Furthermore, three groups of actors were identified: those engaged in farming, procurement and processing. This distinction partly helped reveal the multifunctionality of some actors, but also showed a fragmented coconut industry ‘having numerous small active businesses and without any significant player in the chain’ and a value chain especially marked by weak and unproductive linkages between farmers and processors resulting in, for instance, supply uncertainties. In case 2,

⁶ It is assumed however that a rapid value chain assessment was conducted prior to choosing the cluster approach – we were however unable to get this information verified.

mapping turned out to be biased towards the production side, while cases 3 and 5 lacked, among others, an in-depth analysis of input supply. Case 3 also neglected the mapping of local end-market outlets.

The extent to which these mapping exercises were followed up by qualitative and quantitative analyses of product, information and cash flows, including specification of value added along the chain, also varied greatly across the cases. In cases 1 and 4 product volumes were specified quantitatively, whereas for cases 2 and 3 only qualitative statements were provided.

As for in-depth analysis of the economic structure of the chain, including competitiveness, profitability and value-added analysis, only case 1 had a nearly comprehensive analysis specifying those parameters – including a detailed demand and competitiveness analysis and benchmarking with competitors. For the remainder, this component was either only covered partially or simply performed with insufficient quality. Value-added analysis was only performed in some cases, and for the majority this was not done with sufficient depth and scope. In relation to benchmarking with competitors, cases 1 and 4 had this exercise covered. The governance structure of the value chain in question was given some attention in cases 2 and 4 (with case 1 touching on the issue only indirectly).

4.2.2 Value chain selection

The analysis of the rationale for the selection of the value chains (see Table 3) suggests that research usually is not the first and foremost driver but geographical location often is. Most cases started out with several value chains of which only one or a few would be selected for intervention-purposes. Most cases started out with objective criteria upon which the value chains would be selected. Yet, in the majority of case studies path dependencies from previous projects and the institutional mandate of project owners and partners played a more important role.

Needless to say, in-depth pre-selection value chain research is expensive and often not feasible to conduct. However, most cases conducted rapid assessments or review-based reports prior to chain selection. Still, it was often not clear if findings from such studies were really what governed the selection process as opposed to institutional concerns. This raises the issues of what makes a selection process legitimate, whether and the extent to which selection should be research-based, and how institutional concerns are included in a manner that does not undermine objective decisions. It also raises the questions of how to include stakeholders (and which ones) in the selection process that may themselves have interests and be part of the wider power struggles revolving around existing or prospective value chains.

Table 3: Selection

	Case 1: coconut	Case 2: rice	Case 3: anthurium	Case 4: rubber	Case 5: cocoa	Case 6: potato
<i>Primary rationale for selection</i>	Geographical location, research and stakeholder inclusion	Geographic location, research and stakeholder inclusion	Geographical location, precedent project, institutional mandate	No chain selection (precedent project governed selection)	Project precedent and some review-based analysis	Institutional mandate (Int. Potato Center) and geographical location
<i>Pre-selection analysis conducted?</i>	Yes (broad preliminary assessment)	Yes (with moderate depth)	Yes	No (but build on existing project documents)	Yes	Yes
<i>Were various chains up for selection?</i>	Yes	Yes (recommended chains ranked based on pre-selection analysis and stakeholder workshops)	Yes	No (but crosscutting value chains for intercropping included)	Yes	No
<i>Explicit selection criteria developed?</i>	Yes (natural conditions, degree of commercial upgrading opportunities.)	Yes (poverty impact, local economic significance, potential value-added through cooperation, estimated risk and ROI and future prospects)	Yes	No	Yes (impact and growth potential, and cross-cutting implications)	No

4.2.3 Systemic constraints

A key criterion of assessment was whether value chain analyses displayed sufficient depth and accuracy with respect to identifying systemic constraints, meaning problems that are located beyond firm level. A successful identification of systemic constraints can come as a result of a properly performed whole chain analysis. As all cases adopted some kind of whole chain approach they also could diagnose systemic constraints (while some cases applied the term “systemic constraints” whereas others used terms of a similar kind). Some cases were however more comprehensive than others in doing so. Three types of systemic constraints were identified (see Table 4).

Table 4: Systemic constraints identified

	Case 1: coconut	Case 2: rice	Case 3: anthurium	Case 4: rubber	Case 5: cocoa	Case 6: potato
<i>Supply capacity constraints of a systemic nature</i>	Quality and quantity supply issues	Quality and supply quantity issues due to fragmented production	Quality and supply quantity issues pertaining to farming practices	Low productivity and profitability due to failure to invest in replanting, limited capacity in traditional rubber growing areas	Productivity and quality issues due to farming and managerial practices	1) mismatch of farmers products with market demand and 2) limited farmer understanding of the broader market and marketing issues
<i>Systemic constraints beyond supply capacity impinging overall competitiveness, profitability, efficiency and performance of chain</i>	1) Price volatility due to position of Chinese importers, 2) weak linkages between farmers and processors, 3) limited information of market demand and new production technology, 4) limited access to finance, 5) saturation of low-value products market and 6	1) Limited capacity of 'harvested rice' buyers prevent supply-contracting and hinder flourishing of demand, 2) weak linkages between farmers and other large buyers such as processors, millers, and exporters	1) High initial investment costs, 2) period for return on investments long, 3) input supply problems, 4) high export quality requirements, 5) high transport costs, 6) no well-functioning collection system, 7) no proper business association, 8) low pricefo	1) General supply side issues, 2) access to labour, management and land issues inhibit new large scale plantation, and 3) failure of public sector capital and management to drive rubber cultivation	1) Lack of price differentiation and 2) farmers dependence vis-a-vis certain collectors	1) Lack of information flow and trust between farmers and buyers leading to increasing transaction costs, impeding technology adoption and innovation and 2) long market chains with farmers disconnected from marketing actors via many intermediaries,
<i>Systemic constraints pertaining to policies and overall regulatory environment</i>	Supply-driven economy	Supply-driven economy	None identified	None identified	Unclear government directives and tax issues	None identified

All assessments found what one can consider *supply capacity constraints* being a main constraint in the development of the value chains. These constraints often consist in lack of consistency in qualities and quantities of the supply coming from farmers or in low productivity and profitability that is usually connected with low capacity of farming, technical or managerial practices. Yet in all the cases the issue of supply capacity constraints was further connected to other functional points of the chain not only impinging farm-level development but also the overall performance of the chain. These issues were either pointing out the limited capacities of other actors or concerned structural problems related to inefficient local and global markets (e.g. lack of price differentiation, bottlenecks with regards to demand transfer to producers or input supply issues), the degree of connectivity between actors (e.g. between farmers, processors and buyers), important actors that negatively affect certain groups in or the overall performance of the chain, and organizational or technical problems that are generic to the sector/chain (e.g. high initial investment costs, climatic constraints). Cases 1, 2 and 5 also identified issues in policies and the overall regulatory environment that were in more direct ways affecting the chain and the activities of the project in a negative manner. In the Vietnamese cases (cases 1 and 2) for instance, the issue of doing value chain interventions in a traditionally supply-driven command economy was mentioned several times, and in the case of cocoa in Indonesia the issue of unclear government directives and tax issues was raised.

4.2.4 Process of analysis and selection

A key differential in value chain interventions concerns the process of analysis and selection – whether it is mainly driven by experts or by chain participants, and whether it takes a hands-on or a hands-off approach. The results summarized in Table 4 suggest that in most interventions the

process of selection and analysis was driven mainly by expert and project staff. Interestingly, the exception here is case 3 where stakeholders had an important say in the process of selection and analysis which may actually have skewed the analysis. This raises issues of general interest, concerning expert vis-à-vis stakeholder-driven research (see Table 5), the advantages and pitfalls of each, and under what conditions a right balance can be achieved. The second exception, case 6 went to the extreme of leaving an admittedly small group of stakeholders decide what the next activities of the project will be.

Table 5: Process of analysis and selection

	Case 1: coconut	Case 2: rice	Case 3: anthurium	Case 4: rubber	Case 5: cocoa	Case 6: potato
<i>Approach</i>	Expert-driven	Expert-driven	Participatory	Expert-driven	Expert-driven	Participatory
<i>Degree of participation from actors</i>	Medium (mostly concerning validation of data, practical demands and diffusion of information)	Medium (government agencies and some stakeholders included)	High in the selected district, parts of the chain excluded, public sector focus	High at all levels of the value chain	Low and mostly concerning diffusion of training materials	Low during analysis and formulation, later very strong
<i>Role of experts and project staff</i>	Hands-on research leadership and organization of workshops	Hands-on research leadership and stakeholder workshop initiatives	Hands-off but with some leadership elements	+ working to develop cross cutting VCs from ground up	Hands-on research, review and deciding on selection	Hands-on research, baseline study, market appraisal studies and review of existing studies
<i>Level of ownership achieved in analysis and selection phase</i>	Low	Low among farmers and businesses (but high with project partners (state agencies))	High	High among the rubber industry chain low among the selected beneficiaries	Low	Low (picked up later among few processors and traders)

One can observe that although selection and analysis was perhaps not driven by stakeholders, they are often included instrumentally to validate research done by experts or project staff or to raise practical issues that may have been missed in the research process. This inclusion usually takes place through stakeholder workshops organized by the project owner or implementing partner. In case 1 dissemination of information on the project was also explicitly mentioned as a reason to include stakeholders towards the end of the research process.

The level of ownership reached at this stage of the project cycle was generally quite low, with the important exception of case 3 where especially a public stakeholder, The Export Development Board, gained a lot of ownership but where this ownership also led to complications (see also Box 2 below).

The above discussion may give the impression that the cases were not very participatory. However, one needs to consider that in the real world of project organization it is difficult to distinguish between analysis and design on one hand and implementation on the other. Stakeholder participation can also come in at a later stage, eventually with much higher efficiency. This has been the case, for example, in case 6, where stakeholder participation in the design of their individual activities was high – but not in the pre-design stage. This suggests that discussing beforehand where, when and how to include participants and with what purpose is a crucial element in project organization.

4.2.5 Relation to broader development goals

A concern that has been often dealt with inadequately in value chain analysis – and in development work organized around this concept – is that of how certain development interventions relate to broader development goals. Often the analysis is effectively focusing on one development goal, e.g. poverty reduction or economic growth, but not at the whole set of development goals such as, for

example, represented by the Millennium Development Goals (MDG), simultaneously. It was among the particular objectives of this paper to examine how value chain projects focuses on the goals of poverty reduction, gender equity and environmental sustainability – particularly at the stage of analysis and selection.

Perhaps not surprisingly, one can observe from Table 6 that all cases have ‘generic’ poverty targeting measures as an integral part of their selection and analysis. In most cases much of this consideration is located in the selection phase though and has to do with the perceived, and at times quantified, poverty levels of specific geographical locations, sectors or specific value chains donors decided to work with. Sometimes simply mentioning that a project works with certain farmers, e.g. potato farmers, was enough to argue that it is pro-poor.

Table 6: Relation to broader development goals

	Case 1: coconut	Case 2: rice	Case 3: anthurium	Case 4: rubber	Case 5: cocoa	Case 6: potato
<i>Poverty reduction addressed through 'generic' targeting?</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>Poverty reduction addressed through more detailed targeting?</i>	Poverty rates detailed at community level	Poverty rates detailed at community level	No	Participants all landless and below poverty line	No	No
<i>VC specific baseline data on poverty, gender and environment?</i>	No	No	No (although some baseline data has been reconstructed retrospectively)	To be conducted (expected to cover demographic, gender, economic, poverty and social indicators)	No	No
<i>Gender specific targeting</i>	No	No	Yes (through selection of 'gendered' chain)	No	No	No
<i>Environmental concerns included in selection and analysis</i>	Yes	No	No	Yes	No, only concerning use of agrochemicals	No

Although all cases had some sort of generic targeting of development goals, they varied greatly in their form and outcomes. The beneficiaries of the anthurium chain (case 3) for instance consisted mainly of middle-class women, and while these women are of course worse off than exporters, as it is argued, this does not necessarily justify the project as particularly pro-poor (no alternative chains were considered for selection, and there was no consideration of which actors were worse off in the chain). Cases 5 and 6 mostly justified their pro-poor dimension by briefly mentioning that they were working with ‘smallholders’ or SMEs. In contrast, the rubber project (case 4) had a very ‘strong’ generic targeting technique as it is essentially a project allocating land to landless peasants and assisting them in coupling with the Sri Lankan rubber industry. In this case, the beneficiaries were already the poorest of the poor – in fact they were not even chain-participants upon project commencement. Finally, the two Vietnamese cases (1 and 2) both looked at relative poverty levels as part of their value chain assessments or baseline studies. They did so by detailing commune level poverty ratios.

Concerning the issue of gender, only the anthurium case had given consideration to this theme, but again only generically by intervening in a ‘gendered’ chain. As for environmental concerns, the coconut project (case 1) had given consideration to this issue by carrying out some analysis on waste issues leading also to some strategizing in this respect (e.g. disposing of coconut dust). In the rubber project (case 4), implementation activities included modelling of environmentally beneficial processes/behaviours – e.g. planting rubber as a mono crop to protect forest buffer zones and providing long term income source to forest dwellers (as an alternative to logging and slash and

burn forest clearing). All other cases it had no baseline detailing environmental data. This relative lack of consideration of gender equity and environmental issues is in line with the general state of value chain analysis and development as pointed out above.

4.3 Value chain design

4.3.1 Design process and organization

In all cases the design of the project included elements that clearly marked them as value chain interventions. In some cases the value chain character of the projects can be easily traced by reviewing design documents and interviews with project personnel, whereas in other cases the identification engaged in more in-depth analytical work on general project dynamics (see Table 7 below). In cases 3 and 5, for instance, the design of the project was based on an outcome-oriented logic. In the case of anthurium this concerned the general export-orientation of the project and stakeholders surrounding it, whereas for the USAID cocoa project (case 5) a preference for a lead firm solution was clearly present at the pre-design phase which ended up defining the project to a great extent.

In the design phase, like in the value chain analysis and selection phase, the majority of the projects was driven by project management units. However, stakeholder participation was generally higher in design than in analysis and selection. Cases 3 and 6 were the most genuinely participatory at this stage. In the anthurium project, design did not really emerge before stakeholders gathered at small-enterprise fora and service fairs (though much of the activities decided upon never materialized in the implementation phase) and for the potato case it was exclusively the meta-design of the project that was laid out by the experts engaged in the development of the proposal. Participants were then coming up with concrete ideas for business development activities (e.g. in the form of product innovation) at subsequent workshops. Here, experts were merely facilitators. This is also reflected in the degree of flexibility in the project design, which was equally high for cases 3 and 6 but generally low for the remaining cases which followed a bit more of a traditional project cycle.

Table 7: Design process and organization

	Case 1: coconut	Case 2: rice	Case 3: anthurium	Case 4: rubber	Case 5: cocoa	Case 6: potato
<i>Generic criteria for project design</i>	Poverty reduction and environmental sustainability	None identified	Export-oriented activities	Poverty reduction among smallholders	Missing link to market	Forging business relationships among farmers processors and buyers
<i>Drivers of design process</i>	Project management unit consisting of experts from NGO and public policy agency	Task force with experts from provincial government, participation of a farmer organization	Export Development Board, small-enterprise forums and service fairs, project with 'light touch' approach	USAID and rubber industry jointly	USAID, choosing among three proposals, identification of lead firm as buyer	Design of the project left to implementation phase, very participatory. Stakeholders supposed to decide on design.
<i>Design Process</i>	1) Identify best practice cases; 2) benchmarking of Bentre against those; 3) establish development objectives 4) design intervention activities in consideration of objectives, systemic constraints and the availability of resources	1) Deciding on development objectives of selected value chains, 2) identify major groups of activities, 3) design specific activities within each group and 4) review of activities	Intervention activities were proposed at MSE Forums and LOCA Workshops, intervention activities were not undertaken by the project but by implementation partners.	Matching IFAD's development program with ongoing program by USAID and rubber industry, appraisal report	Picked up on former USAID program extending from primary agricultural production to activities further upstream	Picked up on former farmer field school projects where access to market was a major constraint
<i>Degree of stakeholder participation</i>	Stages 1 and 2 were expert-driven, 3 and 4 included stakeholders through 'hearings' and workshops	Driven by in-depth discussions within value chain task force, inclusion of stakeholder through formal workshops and informal communication.	High	High, both on part of the rubber industry and beneficiaries	Low	Extremely high, activities of the project were identified on stakeholder workshops
<i>Degree of design flexibility</i>	Low	Low	High, proposed interventions changed over time during implementation as approach changed (from VCA to LOCA)	Low	Participation of farmers in training, participation of buyer only at the initial stage	Very flexible because highly participatory, project facilitated a stakeholder negotiation process , few funds for implementation

4.3.2 Design of specific development activities

The next two sections consist of an outline of what development objectives and activities the design phase came up with. These aspects are summarized in Tables 8 and 9.

Figure 8: Development objectives specified along the chain

	Case 1: coconut	Case 2: rice	Case 3: anthurium*	Case 4: rubber	Case 5: cocoa	Case 6: potato
A) Specific development objectives designed to create social links between actors (horizontal or vertical)	None	1) Increase benefits for farmers through joining cooperatives or common interest groups; 2) create dialogue between VC actors; 3) promote local cooperation between VC actors to increase added value	Promote direct export linkages between growers and foreign buyers	1) Strengthen bargaining power and experience-sharing among smallholders; 2) integration of smallholders into mainstream industrial activities	Link farmers with large buyer	Build platforms that allow farmers and processors to meet buyers
B) Specific development objectives to ensure poverty impact, environmental sustainability and/or gender equity	Ensuring the environmental sustainability through waste management	None	None	1) Most objectives and activities are strongly targeted at landless smallholders (possibly also reforestation opportunities connected with project) 2) Land allocation will target gender equity with 50% allocated to women	Work with 10 women's organizations	None
C1) Specific development objectives designed at farm level	Ensuring raw material supply security by generating attractive incomes for growers	1) To promote production efficiency, increase product quality and provincial industry competitiveness; 2*) to increase benefits for farmers through joining cooperatives or common interest groups; 3) to reduce production loss	1) Increase qualities and quantities of growers products; 2*) organize growers to suit local and export demand 3) Increase prices received by growers	1) Establish critical mass for legal representation, efficient supply side operations, standardized quality and volumes to meet market demands; 2) certification and compliance of smallholder societies to international rubber standards; 3) improve smallholder rubber yields 4) balance market shocks through farm intensification and diversification	1) Help farmers produce higher quality fermented beans by improving postharvest handling, fermentation procedures, training and capacity building; 2) regenerate plantations; 3) provide access to procurement schemes	None
C2) Specific development objectives designed at processing level	Maximizing added-value across the industry through expansion of higher value products	To increase added value from rice processing	None	1) Provide consistent supply of field latex through regionalized processing centers; 2) processing centers will buy minimum volumes at market prices	Improve drying quality of fermented and non-fermented cocoa	1) Support in product development, 2) Facilitation of business relationships
C3) Specific development objectives designed at distributor, marketing and end-market level	Maximizing added-value across the industry through expansion of higher value products	Expand rice market domestically and internationally	Promote direct export linkages between growers and foreign buyers and strengthen relations between existing ones at both local and export level	1) Strengthening links between the producers and industrialists to bring market relevance and opportunities directly to producers. 2) Building market linkages for cross cutting VCs	Identify and establish relation with large international buyer	Support in finding niche and high-value markets
C4) Specific development objectives designed at the level of enabling business environment	Sustaining healthy level of competition among buyers and processors	None	None	Improve land tenure for smallholder rubber farmers	None	Providing link to government business development services
C5) Specific development objectives designed at input supply level	None	to improve the rice quality and increase the provincial industry's competitiveness	Improve relation between growers and supplier (encourage signing of bilateral trade agreements, create friendlier environment, and encourage suppliers to educate growers on use of their products and services)	Increasing access to good clonal planting material to enable a significant productivity increase for smallholder rubber cultivation and improve sustainability	None	None
C6) Specific development objectives designed at business services or 'supporting functions' level	Finance	Finance	1) Provide financing of production of export varieties; 2) conduct baseline study and develop data collection techniques; 3) improve coordination between business services institutions	Strengthening farmers' access to extension services and technical know how to improve rubber yields in the long run.	Provide 'training of trainers'	Provision of business and market development courses

Figure 9: Development activities specified along the chain

	Case 1: coconut	Case 2: rice	Case 3: anthurium*	Case 4: rubber	Case 5: cocoa	Case 6: potato
A) Activities designed to create social links between actors	None	1) Establishing common interest groups and cooperatives (to organize training and workshops, assist them in obtaining supply contracts, provide business development services, and improve access to finance); 2) establishing rice miller association (to share information on harvesting and processing technology, build up postharvesting cooperation model); 3) organize value chain dialogue meeting	1) Organize growers under a single organization; 2) group together export-oriented growers in one association; 3) build confidence between growers and foreign buyers; 4) encourage signing of bilateral agreements between grower associations and suppliers;	1) Establish smallholder association as legal entities (at both village and regional level); 2) regional societies form a smallholder federation that affiliates with the Society of Rubber Industry; 3) formulate supply strategy for these societies to meet market needs	Linking farmers with OLAM Indonesia (large buyer)	Platforms organized so that buyers and sellers can meet
B) Activities to ensure poverty impact, environmental sustainability and/or gender equity	Waste management initiatives	None	None	All activities targeted at landless poor and existing smallholders in an area that has the lowest GDP in Sri Lanka.	Work with 10 women's organizations	None (unless potato is a crop with many poor participants)
C1) Activities designed at farm level	Improving the yield and intercropping	1) Plan production area to promote efficiency, quality and competitiveness (set up plans for and complete upgrading of irrigation system; 2) training on plantations techniques according to Global Agricultural Practice	Educate growers to maintain contracts	1) Certify and authorize smallholders and societies and hold accountable to SRI code; 2) establish minimum living standards code for smallholders who agree follow National Forest Policy	1) Training in plantation management and good agricultural practices, including pest and disease management, postharvest handling and production of export quality beans; 2) initiation of fair trade and organic certification	None
C2) Activities designed at processing level	Promoting production of high-value fibre products and developing integrated high value processing of kernel, both leading to higher margins	1) Establish a state business (including investment in processing factory); 2) plan construction of industrial rice processing and trading zone (find suitable location, detail infrastructure planning, and attain approval)	None	1) Latex collection in village centres 2) Group processing centres and support for VRDCs to establish a RSS factory and provide it with a latex collection vehicle. 3) Provision of a small laboratory to determine DRC contents will be setup and a person trained to conduct tests.	Awarding a grant to Big Tree Farm in order to develop and run a Central Processing Unit for efficient fermentation, drying and storage	None (except upon individual initiatives processors engaged in new product development)
C3) Activities designed at distributor, marketing and end-market level	Support for branding of province's coconut products	Promoting rice as the provincial specialty product, and expanding its market (organize trade fairs and exhibitions and raise consumer awareness on public media or internet)	Extensive marketing assistance	Piloting the design and implementation of an effective collection, processing and marketing system in existing rubber smallholdings	Partnering with OLAM Indonesia (international trader) in order to manage buying relationships with farmers making use of its up-country buying stations (allowing exclusion of middlemen)	None (except upon individual initiative traders engage in new marketing opportunities)
C4) Activities designed at enabling environment level	Promulgate regulations to ensure fair competition, encourage investments, and promote waste management	None	None	1) Work with government sector institutions to improve land tenure for smallholder farmers to improve crop security and access to credit 2) Activities connected with improving land tenure for women	None	Link to government programs for business development
C5) Activities designed at input-supply level	None	Improving the rice quality (identify more advanced seeds, coordinate and support distribution of those and organize training)	1) Facilitation in supplying of raw materials, seed plants, and financing support; 2) education of growers by suppliers on use of products and services	1) Supply of good clonal planting material to beneficiaries 2) Establishment of private sector nurseries and smallholder nurseries in the area	Training of trainers workshops	None
C6) Activities designed at business services or 'supporting functions' level	Possibly some microfinance	Business service initiatives and possibly some microfinance		1) Training and equipping VRDCs to provide extension services to farmers 2) Training farmers on where to obtain technical help	Training of trainers	Training for business development

* These activities were designed during the implementation phase and differ from the objectives and proposed interventions listed above

A key aspect in value chain development is its focus on relations. Most cases had development objectives that aimed at improving the linkages among different groups in the chain, either informally or formally through contract bonds or in setting up specific organizations. In five cases, objectives and activities concerned both linking of a horizontal kind bringing together actors at the same node locally or regionally (in cooperatives, common interest groups, village smallholder societies and regional and national federations) and of a vertical kind linking actors across nodes (either informally through dialogue meetings and innovation workshops or formally by e.g. integrating smallholder organizations in industry organizations or linking farmers directly with large firms through supply contracts). Only case 1 had no particular development objectives or activities spelled out in this category, though one can argue that the mere existence of the project and its inclusion of stakeholders would give rise to some form of social linking.

Four cases had not designed their objectives and strategies in ways that qualify as pro-poor, environmentally or gender sensitive. While all cases dealt with poverty through selection of the target value chain and through targeting of poor groups or communities, only the rubber case gave particular consideration to designing activities in a specifically pro-poor fashion. Only the coconut case followed up on its environmental focus in the design phase by suggesting specific initiatives between public and private partners to deal with waste.

Most cases had activities designed at the various functional nodes along the chain including farm level, processing, distribution, marketing, end-market and business services. However, only have of the cases engaged in the area of input supply. Further, only the coconut case had specific objectives and activities that addressed constraints at the level of the enabling business environment.

At the farm level, activities ranged from training schemes in plantation and disease management, good agricultural practices and postharvest handling to technology transfer initiatives, certification schemes, contract management and quality control systems. At the processing level most activities were concerned with either improving or building from the ground processing units that would eventually lead to product upgrading.

At market level most activities aimed at branding and promoting primary and processed products to local, regional or international markets in order to increase premiums for actors down the chain. At the input supply level activities were either designed to improve the quality of input supplies such as seed/seed plants or aimed at facilitating or coordinating relations between input suppliers and farmers. All cases also sought to improve business services and support functions – mostly through business service assistance-type activities or financing schemes.

4.3.4 The relation between analysis and design

The main objective of this section is to answer whether and to what extent the value chain analyses conducted in the projects translated into the design of the projects.

One of the challenges of the research team was to cope with an idealized view of a value chain intervention that did not match with the organization of development projects in the real world. In this idealized view (which stems from reviewing evaluations and manuals of full-fledged value chain interventions), interventions and their organization are expected to be based on detailed value chain analysis and selection that predate project design. Contrary to this, the present analysis reveals a much more complex process where value chain analysis takes up very different roles and comes in at different stages in the project cycle. This makes it difficult to analytically disentangle the role of value chain analysis and selection as first-steps in a linear process of project progress.

The reviews and interviews show that in most cases there was a clear and even strong relation between the findings of value chain assessments conducted at the outset and the eventual project design (see Table 10). This is the conclusion of each one of the case studies, and this relation can

also be traced by simply comparing the structure and content of each project’s value chain analysis with the structure and content of its design. This is particularly so in relation to the systemic constraints identified in the analysis: here these constraints were simply repeated in most design documents and directly informed key activities on which the design rationale rested. This is perhaps not surprising, but worth noting.

This comparative exercise is less interesting when it comes to the question of including broader development goals in the design phase – as in most cases not many such development goals featured in the analysis. It is worth noting that in those cases in which development goals have been specifically addressed three IFAD was engaged in the analysis and made sure that the orientation towards development goals would feature in the design phase. In general, one can safely state that the time and effort expended to include broader development goals depends very much on the mandate of the implementing agency.

Table 10: Relation between analysis and design

	Case 1: coconut	Case 2: rice	Case 3: anthurium	Case 4: rubber	Case 5: cocoa	Case 6: potato
<i>Overall strenght of relation between analysis and design</i>	Strong	Strong	Weak	Strong	Medium	Medium
<i>Adressing systemic constraints identified in analysis</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>Adressing pro-poor, environmental and gender issues identified in analysis</i>	Yes	Yes	No	Yes	No	No

4.4 Challenges and adjustments in implementation

Next is a comparative analysis of how the projects implemented the activities that relate to value chain development. The information provided on this is sparse compared to the former sections. As mentioned in section 3, the case studies focused primarily on two groups of questions in relation to the implementation phase: (1) questions of what *challenges* had emerged during the implementation of project design and whether any such challenges could be related to the value chain analysis performed; and (2) questions of how such challenges were then dealt with in terms of project adjustments and whether value chain analysis had any role to play in such adjustments.

4.4.1 Challenges of implementation and their relation to value chain analysis

The cases revealed a number of challenges that appear in connection with project implementation (see Table 11). Most challenges were not directly related to the value chain analysis and selection process, but were rather the result of practical circumstances that had not been taken into account in the design phase or unforeseen events during implementation that had to do with shifting conditions in the general business environment or inefficient institutional coordination and collaboration between both public and private actors. Some issues were, just to mention a few, lack of local capacity to perform intended project activities, unrealistic time management, creation of parallel bureaucratic structures, increasing competition in international markets or government decisions outside the control of project personnel.

Table 11: Implementation challenges

	Case 1: coconut	Case 2: rice	Case 3: anthurium	Case 4: rubber	Case 5: cocoa	Case 6: potato
<i>Duration of implementation</i>	A few months	n/a	Implementation completed in 2009	Approximately 3 years	Approximately 3 years	3 years
<i>Major challenges encountered</i>	1) Local capacity insufficient; 2) participation in producer groups driven by immediate economic gains	1) Planning too optimistic; 2) poor project management; 3) creation of parallel structures in public bureaucracy; 4) lack of coordination between components; 5) exclusion of poor farmers from financing mechanism	1) Delay in organizing collection points; 2) trained growers drop out; 3) growers unable to meet supply quantity requirements; 4) new grower associations dysfunctional; 5) seasonality of flower market; 6) lack of entrepreneurial culture; 7) difficulty in sustaining the interest of private sector; 8) anthurium not pro-poor; 9) policy constraints for importing planting material	1) Political conflict and coordination problems with regard to land tenure (e.g. impeding smallholders capacity to pledge collateral); 2) insufficient planting material; 3) extension services insufficient to develop good model smallholder plantations; 4) lack of service providers to strengthen business activities of beneficiaries	1) Dysfunctional operation of buying stations including the management of farmers accounts; 2) increasing competition between international buyers affecting local buying activities; 3) the government's rule that only fermented cocoa may be allowed to be exported in the future; 4) deteriorating yields and decreasing soil fertility, increased pest incidences	1) Lack of trust between buyers and sellers 2) no contractual bindings to mitigate price fluctuations
<i>Relation of challenges to value chain analysis</i>	No clear relation identified. All of the above challenges are related to lack of concern with feasibility of project activities which should be ascribed to the design phase. For example, incentives of farmers to participate were not well analysed.	No clear relation identified. The above challenges are likewise related to the design phase.	Strong relation. Most of the above mentioned challenges can be related directly to a lack of critical high-quality value chain analysis	Weak relation. Most challenges were related to coordination with the public sector or were unforeseen practical issues that emerged. Only the supply issue may be related to a failure to recognize the risks connected with overreliance on a single supplier	A strong relation between challenge 1 and the limited scope of value chain analysis.	No clear relation identified. The trust issue was identified in the analysis, but apparently not overcome

In two cases, however, concrete challenges of the implementation process were strongly related to inadequacies in how the analysis and selection was performed. In the anthurium case (3) almost all challenges in implementation could be related to the limited scope and depth during the analysis phase, including the delays in organizing an efficient collection mechanism, the discontinuation of trained businesses because of lack of incentives, growers disability to live up to supply requirements, dysfunctional grower organizations and issues of input supply quality. Not to mention yet again the fact that project personnel only realized half way through the implementation process that the anthurium chain was indeed not pro-poor. The main set of challenges impeding progress in the cocoa case (5) was that the buying stations of the large international buyer which was supposed to drive products up the chain to the partnering lead firm did not succeed in sourcing high-quality and stable quantities of products. These were rather directly related to the fact that these local

conditions had not been previously analyzed. Too much trust was put in private partners and their ability to overcome systemic constraints in the respective value chain. No concrete activities were planned to facilitate farmer-buyer relations and no experts or partners with experience in this field were included.

4.4.2 Adjustments and their relation to value chain analysis

Despite the numerous challenges encountered throughout the projects, most cases did not engage in major adjustments in their project implementation plans (see Table 12).

Table 12: Implementation adjustments

	Case 1: coconut	Case 2: rice	Case 3: anthurium	Case 4: rubber	Case 5: cocoa	Case 6: potato
<i>Major adjustments undertaken</i>	No adjustments	Some minor adjustments challenge 1 managerial capacity and challenge 3 parallel bureaucratic structure	No major adjustments (despite a revised value chain analysis)	Land tenure challenge addressed	Discontinuation of cooperation with private partner, challenges 1 and 2 were left to the private partner, challenge 3 and 4 expected to be met through training	No major adjustments, but highly flexible and participatory approach where activities were design as part of the implementation process. Introduction of Farmer Business Schools
<i>Revised value chain analysis conducted?</i>	No	No	Yes	Yes	No	No
<i>Relation of adjustments to value chain analysis</i>	No relation	No relation	No relation	No	No	No

The rice project (case 2) applied some minor adjustments in relation to the lack of management capacity and of parallel bureaucratic structure, but at the time of writing it was still unclear whether these initiatives would materialize. The rubber project (case 4) however was progressing with serious efforts to overcome the challenges in land tenure, property rights and access to land for rubber plantation for landless smallholders: a consultancy was conducted to investigate the issues and a land committee was established to involve public sector actors in solving political and social conflicts concerning property rights. Further forest buffer zones were established. In two cases (3 and 4) revised value chain analysis were performed at a later stage of the implementation process, but in none of these cases did this research lead to major adjustments in project design. In the potato project (case 6), no major adjustments were necessary as the project was able to react directly to needs of stakeholders in changing situations. An exception was the introduction of farmer business schools to foster commercial farming and processing among smallholders in two rural communities.

4.5 Project outcomes and their relationship with value chain analysis

The main research question for this part included whether any perceived or documented outcomes could be detected for the respective cases and if so whether a connection could be established between such outcomes and the quality of value chain analysis.

As shown in Table 13, four projects went through evaluations of some kind (final or interim). In these cases, knowledge of project outcomes was easily accessible, albeit the quality of these evaluations varied. The anthurium project had already received its final evaluation by an external actor whereas the other cases were not finalized and thus had only interim reports with preliminary results.

Four case studies traced stakeholders' perceptions of outcomes related to the project intervention. These were detected either through evaluation documents or in some cases through interviews with value chain actors. Perceived outcomes included; new or better linkages enhancing cooperation and the division of labour in the chain; technical upgrading through e.g. improved training techniques; learning processes of participants and partners from engaging with value chain 'thinking' in a broad sense; and last but not least increased incomes, including saving of time and transportations costs.

Case 1 where implementation activities had just started did not manage to specify the perceived outcomes that the study claimed to have identified. Cases 3-6 all identified both quantitative and qualitative documented outcomes. Documented quantitative outcomes included: increased household assets, incomes, prices and qualities of product; inclusion of new participants in the chain; new forms of business linkages both with actors in the same node of the chain (e.g. through clustering) and with actors downstream (exporter and international buyers); and successful establishment of plantations (including land titling) and processing facilities. Documented qualitative outcomes included: upgrading of technical and organizational capacities of farming and processing units; advances in linkages inside and between nodes leading to improved coordination and information flows; product upgrading through e.g. certification; improved business and regulatory environment; and lastly general organizational learning processes in the surrounding communities. Only the rubber project managed to detail its pro-poor outcomes since it was carefully targeted at landless farmers. No cases traced environmental or gender-specific outcomes.

The exercise of relating identified outcomes with the character of the value chain analysis proved difficult. A successful analysis of this connection would have required a selection of projects that were all finalized and carefully evaluated, and also more extensive field studies. Only case studies 3 and 4 managed to perform a sufficiently in-depth analysis and familiarization with the case to be able to comment on the relation between analysis and outcomes. In relation to the rubber case (4), positive albeit preliminary outcomes were strongly related to the high quality of value chain analysis and design that managed to capitalize on project synergies and long-term planning in a pro-poor manner. In the case of anthurium (3) the link between analysis and outcome was not as strong.

Table 13: Project outcomes and their relation to analysis

	Case 1: coconut	Case 2: rice	Case 3: anthurium	Case 4: rubber	Case 5: cocoa	Case 6: potato
<i>Evaluation performed</i>	No	Yes	Yes	Yes	Yes	No (upcoming)
<i>Perceived outcomes</i>	Not specified	Training in new techniques successfully and more efficient than hitherto; investment in production had positive effect, lower transportation costs, time saving, better organized linkages	Improved relationships between public sector and wider business environment; successful aggregation of bulking functions; service fair participation improved business linkage; adoption of LOCA and VC approach	None identified	Improved profitability on farm through application of agronomic techniques, crafting, pest control	Incomes increased for those farmers, processors, and buyers who engaged in production and innovation supported by the project
<i>Documented quantitative outcomes</i>	None	None	Income and price increases, new entrants to business, new export business linkages, sales volumes increased more among non-assisted producer than assisted ones and qualities were also higher among non-assisted producers	130 clusters have formed with 3212 members, 1680 ha of new rubber plantings established, around 6 million USD of private sector investment in latex processing facilities	30% percent increase of farmers attended, 72% of associated farmers accessed buyer directly compared with 7% before, improved qualities and per kg prices	Improvements in infrastructure, financial and social assets of farming households, improved business operations among processors and traders:
<i>Documented qualitative outcomes</i>	None	None	Improved capacity for aggregation and provision of business development services, reduction of investment costs and barriers to entry, improved business and regulatory environment, improved access to know-how and resources, better understanding of value chain	Advancing rubber planting, effective subsidies in the formation of clusters, initiating land use planning studies, progressing land quality certification process, initiating market evaluation and linkages	Production of fermented beans and marketing of high value and certified cocoa products on Bali	Improved information flows and trust between actors, better coordination of activities, chain actors notably traders and commercial companies expand marketing relations with farmers, government and NGOs scale up PMCA approach to other crops
<i>Documented pro-poor, environmental or gender outcomes</i>	None identified	Poor producers' participation in interest group increased	None identified	All documented outcomes are pro-poor	Insufficient	None identified
<i>Relation of outcomes to analysis</i>	None identified	None identified	Medium	Strong	Not specified	Not specified
<i>Relation of pro-poor, environmental and gender outcomes to analysis</i>	None identified	None identified	Weak	Strong	Not specified	Not specified

5 Emerging issues

In this section main results of the comparative case analysis are highlighted in order to identify emerging issues of relevance to development practitioners. The issues are grouped under six main headings: (1) value chain analysis matters to strategies and activities; (2) project origin matters to selection and analysis; (3) lack of concern for broader development goals; (4) assessing the incentives of participation for chain actors; (5) the risks of ‘hands-off’ approaches and reliance on single-firm linkages; and (6) the managerial capacity requirements of value chain development.

5.1 Value chain analysis matters to strategies and activities

A key finding of the comparative analysis is that value chain analysis matters. In all six cases, knowledge generated through value chain analyses strongly informed strategizing and designing of project interventions. Systemic constraints identified through analysis for instance, were often directly addressed by sets of activities designed to overcome such constraints. What is done at the stage of analysis can have vast effects at a later stage of a project. Consolidating and refining the application of value chain methodologies for development interventions is indeed a meaningful endeavour.

5.2 Project origin matters to selection and analysis

Another key finding is that value chain selection and analysis are highly influenced by the institutional path dependencies and mandates of project owners, implementing institutions and their partners. In cases 3 and 4 (see Boxes 2 and 3), for example, value chain interventions were designed by essentially building on former projects that had been run by other agencies with varying degrees of success. The initial phase of selection and analysis had been essentially in the hands of others. In some cases, too much trust has perhaps been placed on former value chain analysis – especially when analyses were primarily review-based. That is not to say that all value chain development projects must necessarily ‘re-invent the wheel’ – as one project manager expressed it. Rather, value chain development is a research-based development practice, and thus one should not simply trust former studies but critically engage with them and bring them up to date before basing project design on them.

The case study of anthurium, as illustrated in Box 2, questions the recent tendency to view participatory value chain methods as a development panacea. First, it reveals that analysis by value chain actors cannot stand alone and should at best be critically interrogated and at least validated and refined by experts. Second, it suggests that one should be aware of existing power structures in chains influencing analysis too much through stakeholder participation, resulting perhaps in the consolidation of such structures rather than the achievement of a more equitable distribution of risks and gains as dictated by project objectives.

Box 2: When institutional mandate hampers analysis and selection: The anthurium case

The study on anthurium in Sri Lanka (case 3) within the Enter Growth project in Sri Lanka shows that the existence of a former government project led to a clear bias in the value chain selection and analysis. Despite the development of some objective selection criteria in the beginning (e.g. pro-poor), the selection process has become biased through powerful public sector stakeholders that aimed at getting engaged a certain group of small enterprises. Further, the value chain analysis became biased by an unjustified focus on exports, inherited from a previous unsuccessful project phase, neglecting local market potentials.

Among the main objectives of the anthurium value chain project was to introduce ‘value chain thinking’ among stakeholders in the context of local economic development. This, apparently, was considered so important that there was no scope for conducting a comprehensive value chain analysis. The analysis was essentially done by using a participatory tool that lacked the depth needed to develop sustainable upgrading strategies. As a result the value chain project design consisted of little if any strategies that enabled the development of the chain. The lack of critical value chain analysis and expert guidance coupled with the project’s ‘light touch’ approach to project interventions (activities were left to the local government partner) led to an unhealthy influence of the government partner over other public and private partners.

Source: Peramune, Merrilene. Experiences with Agrofood Value Chain Intervention in Asia and the Pacific. A Case Study Report on the ILO/SIDA Enter Growth Project Anthurium Value Chain. Unpublished project document, September 2010.

Box 3: Leveraging the legacy of a project: The case of the rubber value chain in Sri Lanka

The study on the rubber value chain development project (case 4) shows that project legacy can turned into an advantage. Here, IFAD instead of designing a project from scratch partnered with an existing USAID program with promising prospects. By doing so, IFAD saved itself the trouble of going through a lengthy and costly project analysis. Instead the project built its design on existing analysis carried out by USAID. This analysis primarily consisted in an appraisal report from 2002, which contained elements of value chain analysis while mainly taking a village-level clustering approach. IFAD extended its spending on the development of the value chain and aligned the ongoing USAID program to the goal of poverty reduction and the inclusion of women.

Source: Peramune, Merrilene. Experiences with Agrofood Value Chain Intervention in Asia and the Pacific. A Case Study Report on the IFAD SPEnDP Moneragala Rubber Smallholders Sub-Program. Unpublished project document, September 2010.

5.3 Lack of concern for broader development goals

A further issue to draw attention to is that of the status of broader development goals in the process of value chain analysis and selection. As one can see in Box 4 in relation to the Vietnam Fisheries Infrastructure Improvement Project, insufficient consideration of gender issues can negatively influence outcomes. Box 5, on the contrary, demonstrates how gender issues can be handled properly in value chain interventions. In the six case studies analyzed in depth in this paper, only the anthurium case (3) had given consideration to gender issues in selection and design. This was done by selecting a chain where a high number of female producers were present. There was however no analysis of gender based constraints or specifications of the profile of female beneficiaries. As it turned out, the beneficiaries of the anthurium case consisted mainly of middle-class women. One could argue that this does not justify the project as gendered or pro-poor (no

alternative chains were considered for selection, and there was no consideration as to which actors were worst off in the chain).

Box 4: Gender lessons from the Vietnam Fisheries Infrastructure Improvement Project

An evaluation covering several ADB-financed projects looked at the Vietnam Fisheries Infrastructure Improvement Project. The project's overall objective was to promote modernization and greater efficiency in the marine fisheries sector. It included upgrading of 10 fishing ports; the establishment of environmental monitoring units; and loans to selected private sector investors to establish ice plants and cold storage facilities at the ports.

While the project design recognized gender specialization in specific areas of marine fisheries, it nevertheless assumed that parts of the project, such as the loan component and the upgrading of port facilities, would benefit women without any special interventions – simply by providing a better working environment and increased income. It anticipated that the project would 'uplift the status and living conditions of women in fisher folk households'. This was expected to be achieved through reduction of hardship in fish transporting, increased supply of freshwater and ice, increased earnings and improvements in living conditions and health.

The evaluation revealed that the project design did not accurately capture women's roles in the fisheries sector. This goes back to preparatory socioeconomic study of a local research institute which included gender aggregated data but focused only on capture fisheries neglecting the perspective on onshore fisheries activities in marketing and processing in which women are mostly involved. The evaluation found that although the newly established ports provide a wholesale fish marketing area, which helps some female fish buyers and ice sellers in general, the benefits of the project accrue to larger boat owners and to large fish-processing businesses. The latter employ mainly female labour and working conditions in many of these operations need improvement.

Further, according to the evaluation, modernization of the ports is likely to reduce labour demand and remove the small economic niches in fish marketing and processing currently occupied by poor women. The loans component does not recognize the serious impediment of women in obtaining loans because women in most cases are unable to offer collateral.

In conclusion, because the project design did not accurately capture women's roles in the fisheries sector, it not only failed to impact positively on women, but even has unintended negative impacts.

Source: Asian Development Bank (2001). Special Evaluation Study on Gender and Development. ADB, Manila, Philippines.

Box 5: Applying a gender perspective to project analysis and design: The Value Girls project

The experience of the Nike Foundation 'Value Girls' Project in Kenya is interesting with regard to the introduction of a gender perspective. The objective of the project was to strengthen girls' capacity to effectively participate in value chains around Lake Victoria. As a first step, the project undertook a girl-centred value chain assessment of the Tilapia and related value chains, as well as a situation analysis of the socio-cultural context and current economic opportunities for girls and young women. The assessment revealed major barriers to increased girls' participation including issues of vulnerability to sexual coercion, social isolation, fierce competition for supply, cultural barriers and safety issues. As a result, the program shifted its focus away from linking girls to value chain activities per-se and instead the program focused on strengthening the capacity, negotiation skills and bargaining power of girls already working in these chains.

The combined value chain and situation analysis were used to develop an upgrading strategy, aimed at creating opportunities for girls and young women along the value chain. The addition of a girls' lens to the value chain assessment was found to be critical to program design and activities. Without the lens, the value chain analysis showed substantial income generating opportunities and clear opportunities for upgrading. However, when the girls' lens was applied, it revealed major barriers to increased girls' participation. The analysis also revealed potentially destabilizing forces in the stigmatization of boys due to the girls-only focus of the project.

Source: Felton, N. (2009). Early Lessons targeting populations with a value chain approach. USAID.

All six cases examined in this paper included poverty targeting measures in their value chain selection and analysis. However, these related to poverty levels within specific geographical locations, sectors or value chains. Sometimes, simply mentioning that a project worked with farmers was enough to justify it as pro-poor. In one case poverty targeting was based on social categories (case 4). As for environmental concerns, only the coconut and rubber projects (cases 1 and 4) had given consideration to them. Hardly any baseline data on poverty, gender or environment had been collected in any of the cases studied.

5.4 Assessing the incentives of participation for chain actors

Assuming that participants, whether individuals or in groups, will be motivated to cooperate with a value chain development project is often a failure. For example, the coconut project (case 1) ran into problems because the incentives for farmers to participate in farmer groups were not clear for the period after the project terminated, thus threatening its sustainability. Experience in the cocoa sector within the same program showed that the Common Interest Groups built to receive financial assistance were soon dismantled after project implementation had come to a close. The project's director expressed his concern that this story would repeat in the coconut case. The argument is that even when an interest group formed voluntarily, it will take time for members to learn to work together, and to develop sufficient teamwork skill to be a credible partner.

This experience illustrates not only that a thorough analysis of incentives is needed as an integrated part of value chain analysis, but also that group formation should be carefully considered and sufficient emphasis should be put on organizational development. Under some conditions, group formation linked to collective marketing can indeed be successful (see Box 6). And cooperation with existing associations can also be fruitful, as highlighted in Box 7. But the experience summarized in Box 8 also suggests that the involvement and motivation of specific individuals, and not groups, can be the key to success. The decision that a value chain intervention should actually support the setting-up and support of farmers associations or rather of individual businesses and

service providers should be based on the consideration of existing viable associations as well as businesses and the specific context of each value chain.

Box 6: Collective marketing of forest products: The Orissa Tribal Empowerment and Livelihoods Program in India

The Orissa Tribal Empowerment and Livelihoods Program in India assisted by IFAD, DFIF and WFP includes a component targeting farming in tribal communities. The “non-scientific” approach to farming was diagnosed as the key constraining factor to the farmers’ inability to sell their non-timber forest products. The program’s support in this area aimed at improving production and productivity of non-timber products and as a result farmers have started to market these products. The main challenges however was that production was scattered and came at insufficient volumes leaving room for local intermediaries to exploit farmers. These challenges were successfully overcome by forming and strengthening village development associations. Through a variety of upgrading strategies – with collective marketing being the main component – the project managed to link farmers to the market and increase profits significantly.

Source: IFAD (2009). Sharing and Documenting Good Practices in Value Chain Development. Documentation of Writeshop held in November 2009, IFAD Asia Division.

Box 7: How to work with associations effectively: The Katalyst experience in Bangladesh

In an analysis of interventions in the pond fish sector in Faridpur region, Bangladesh, Katalyst, an NGO, found that sector’s business performance was markedly lower other regions. Among the underlying constraints they found the lack of linkages to markets for inputs. This constraint actually led to more visible problems in the chain such as lack of quality fingerlings and other inputs and weak information and knowledge on cultivation techniques. In this situation the NGO did restrain from providing quick fixes such as, for example, providing fish farmers with subsidized inputs. Instead it recognized the existing capacities and ambitions of local associations to engage in the input markets and helped them to mature and take full responsibility. The report concludes that the NGO acted less as an initiator of new ideas but more as a sparring partner to the local associations allowing them to assume a more prominent role in the sector’.

Source: de Wildt, M. deR. (2007). Accelerating Growth in the Pond Fish Sector Interventions to Bring About Sustainable Change. Katalyst Bangladesh.

Box 8: Linking with key actors matters: Bay leaf production in Nepal and India

A case study conducted by the Overseas Development Institute on a set of bay leaf value chain interventions in Nepal and India, emphasizes as one of its key findings the importance of working strategically with individual key actors. The projects analyzed were successful in increasing incomes for very poor people in remote, rural, unstable locations through a mixture of upgrading strategies (product upgrading, horizontal and vertical coordination, and improved external governance) addressing a number of systemic constraints, including lack of knowledge, poorly organized production, poor harvest and post-harvest techniques. One of the deciding factors of both projects was that success was driven by individual actors: ‘The success of the Nepal project was dependent upon the existence of a progressive local trader, who has known the bay leaf producers for many years. In India, the critical changes to the enabling environment were due to the boldness of an individual public servant and on the trust and shared history between individuals working in a regional research organization’.

Source: Choudhary, D., B. Hoermann, M. Kollmair and J. Mitchell (2010) ‘Developing entrepreneurship in value chains of Cinnamomum tamala (bay leaf): Linking poor producers to markets of essential oils and spices’, in J. Mitchell and C. Coles (eds) Markets and Rural Poverty: Upgrading in Value Chains. London: ODI.

5.5 The risks of ‘hands-off’ approaches and reliance on single-firm linkages

Projects need to balance carefully between ‘hands off’ and more engaged approaches. This is especially the case when they work with only one actor in a value chain node. In the case of rubber (case 4), it was overreliance on one single input supplier that led to difficulties in delivering sufficient planting material to keep the project running. In the cocoa project (case 5), attempts were made to secure high-quality and stable quantities of cocoa to a large international processor with the idea of creating tighter and more reliable linkages between farmers and this lead firm. No concrete activities were planned to facilitate supplier-buyer relations as well as managing supplier accounts and no experts or partners with experience in this field were included. The result was that the buying stations of the large international buyer, which was supposed to supply the partnering lead firm, did not succeed in sourcing high-quality and stable quantities of products. Once the buyer dropped out (some of its agent went even bankrupt) the project remained without an efficient outlet for associated farmers to sell their cocoa.

5.6 The managerial capacity requirements of value chain development

In two cases (1 and 2) local managerial capacities to carry out project design was insufficient, and this reveals a more general issue that should be thought about in relation to the specificities of value chain development interventions. This problem was more pronounced in the rice case (2) where key project officers (used to work in the command-oriented development environment of the Vietnamese public sector) were not very successful in managing the participatory rationale of the project. The identified solution to meet this challenge which became visible throughout the implementation process was ‘to conduct more broad-based market oriented capacity building and awareness raising with additional training courses and awareness raising campaigns in each commune’ for members of various public agencies. But the problem of managerial capacity is linked not only to project personnel but also to supporting institutions for the value chain – this was evident in cases 3, 4 and 5.

6 Conclusion

This paper provided a conceptual review of predominant forms of value chain interventions emerging from the existing literature. It then highlighted a range of key project differentials – such as methods used for analysis and design (participatory vs. expert-driven), management style (hands on vs. hands off), type of targeted actors for the intervention (lead-firm vs. non-lead firm) and the degree to which project included broader development goals in their overall project design. The review in part informed the analytical framework used in the field studies of six agro-food value chain interventions in Indonesia, Vietnam and Sri Lanka. The case studies covered experiences with value chain intervention in their full project cycle (selection and analysis, design, implementation, and evaluation and outcomes) and provided empirical evidence for a comparative analysis.

This analysis documented a highly diverse set of projects in terms of how the respective value chain was selected and analyzed, how an intervention was designed and strategized, how this was all implemented and lastly how the project organization documented the process and its outcomes. Value chain assessments varied greatly in quality (ranging from review-based reports and rapid assessments to comprehensive value chain analysis) and methods (ranging from expert-driven to almost purely participatory approaches). Chain-selection was driven by very different factors, ranging from institutional mandate to research-based findings. All projects took on a whole chain approach of some kind and identified systemic constraints in the selection and analysis phase (although the quality varied and methodological insufficiencies were common). All cases also had some element of stakeholder participation at the stages of analysis, design and implementation (although the degree and form of participation varied). Concerning the inclusion of broader development goals - such as poverty reduction, gender equity and environmental sustainability - the depth and quality of analysis and the degree to which it informed target chain selection, design and implementation was limited. Although all projects had some form of generic targeting of poor people, only few projects detailed poverty levels along the chain and targeted the poor further by geographic differentiation or by social groupings. Environmental issues and gender equity were largely left out.

A central aim of the case studies was to trace the relation between, on the one hand, pre-project value chain analyses and, on the other hand, project design, implementation, evaluation and outcomes. An important finding was that this relation was generally strong. Research performed at the stage of analysis did, in other words, significantly influence first the project design and the concrete strategies and activities developed, and second how these were implemented subsequently. Systemic constraints identified in analysis, for instance, generally informed specific project initiatives addressing these very constraints in ways that were at least believed to be able to improve the overall chain performance. At the level of outcomes, this exercise was more difficult and only two case studies could provide a reliable link between value chain analysis and documented outcomes.

Based on this evidence and selected cases from the existing literature, the paper finally presented a number of emerging issues relevant for development practitioners to take into account, some of which are listed below in the form of main recommendations.

Selecting a value chain or building on former or existing projects

- The choice to carry out a value chain intervention should be based thoroughly on stated objectives also when building on former or existing projects or a pre-selected value chain.
- Value chain development interventions are research-based development practices, and thus one should not simply trust former studies but critically engage with them and bring them up to date before building project design on them.

Participatory approaches – how much, how and with whom?

- ‘Practical’ concerns (such as stakeholder interests and pressure) obviously need to be considered but this needs to be done without losing focus on project objectives.
- One should be aware of existing power structures in value chains, which can influence analysis and design through stakeholder participation – possibly resulting in the consolidation of such structures rather than the achievement of a more equitable distribution of risks and gains as dictated by the project objectives.
- Value chain analysis carried out by stakeholders and value chain actors should be critically interrogated and at least validated and refined by the project team or other experts.

Poverty, Gender and Environment

- Explicit poverty, gender and environmental objectives need to be included far more thoroughly in value chain selection, analysis, design (including baseline indicators) and monitoring than it is currently the case.

Project management competences

- Project managers and staff are key to success. It is important to hire qualified managerial and technical staff who are capable of steering value chain analyses, design and implementation.

Incentives and linkages

- A thorough analysis of incentives is needed as an integrated part of value analysis, not only in relation to collective stakeholders but also in relation to key individuals.
- Organizational development should be carefully considered in relation to promoting horizontal linkages – particularly among farmers; at the same time, farmer groups are not always the right answer to collective action.
- There is a need to be aware of the risk taken by working with only one actor in a value chain node -- e.g. one input supplier or buyer.

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ANNEXES

Annex 1: Case descriptions

Case 1: IFAD, Coconut in Vietnam

Coconut value chain development is a part of the IFAD project in Bentre province of Vietnam. The project is directly managed by a Project Management Unit (PMU) which was formed by the Department of Planning and Investment (DPI), a functional agency under the Provincial People Committee (PPC) – the highest State management authority at the province. While the PMU keeps the lead role, all major stakeholders of the chain were invited to participate in various activities of the value chain development process through private-public-partnership approach. Starting from June 2008, the coconut project progressed through the phases of value chain analysis and selection, and designing. And now the project is in its implementation stage, which has been rolled out for only more than 6 months since Jan 2010.

The stages of analysis and selection, and designing interventions, were conducted with strong technical assistance from Prosperity Initiative (PI) – an NGO with mission to create substantial additional wealth for the poor in the region. Centre of Agriculture Policy (CAP) from the Ministry of Agriculture and Rural Development (MARD) of Vietnam was also actively engaged in the selection analysis, but under PI umbrella. The value chain analysis and selection was divided into two steps: preliminary assessment and small scale study. In preliminary assessment, a number of potential chains were examined to determine if the concerned crop is suitable to the natural conditions of the agricultural land in the project area and to identify possible opportunities for upgrading. Such opportunities were to be found not only from the nodes of the chain but also from the linkages between the nodes. Coconut was selected out as the priority value chain from this step.

In short study, the coconut chain was analyzed with regard to three aspects: market demand, competitiveness, and impacts on the poor. Findings from the study indicated that there are sizable markets for coconut products, and that significant wealth for the poor nut-growing farmers can be potentially created through properly-designed upgrading interventions. Key systemic constraints and suggestions of specific good practices at national and company level were also identified in this step.

Major activity in this phase was to benchmark the current status of the coconut chain in Bentre against the good practices suggested in the phase I. This involved field trips to different target countries and desk-based study of successful nut processing companies. Identified gaps from the benchmarking were then used as grounds for determining development strategy for the coconut industry. Considering the development strategy and the systemic constraints found from selection and analysis phase, the main design objective was set to aim at creating additional income for farmers by ultimately achieving sustainable increase in the price of raw coconut. And this objective was broken down into sub-objectives, which will be then the targets for designing interventions groups and activities within each group. There were four key intervention groups: farm level, processing level, distribution, and enabling business environment.

Information of baselines was not detailed enough at value chain level. There had data on poverty rate. But the data of coconut price, household income, or environmental issue, which are critical in measuring impacts on the poor and the environment, was not well reported.

Activities' budget is largely funded by the IFAD. The government and other NGOs , being Halveta and Prosperity Initiative, with operation in the province contribute a minor part in the total budget. The funding commitment of the NGOs is by agreed activities and conditional on the availability of their funding. So far, the PI has financed most of activities in the selection and analysis, and design stage.

Given the practical implementation issues and the actions recommended in the design phase, the project focuses on three major activities groups: (1) raising farmers' awareness of market concept and market mechanism, and training businesses with basic business administration skills, (2) improving enabling business environment to attract more investment, and (3) supporting for sustainable development of Coconut Association.

Specific activities within each activities group are identified and then proposed by the stakeholders having direct exposure to the practice. The PMU at relevant level will decide if the proposed activities are to be proceeded. Basically, all interventions to be implemented are operational upgrading or of linkage improving. Poverty reduction strategy was embedded in the designing, and thus, the effect on the poor is achieved through implementation of the designed activities.

Since the project's implementation has been rolled out only for six months, evaluation and documented outcomes are not yet available. Some perceived positive results are: improvement of the province's competitiveness index, a secured substantial investment from overseas in high value product processing, and significant reduction of coconut dust that has been seriously polluting the environment over years. However, there are concerns of insufficient participation of the poor in value chain development activities in general, and how to sustain these development activities beyond the project life.

Case 2: IFAD/GTZ, Rice in Vietnam

The IFAD project in Tra Vinh, a southern province of Vietnam, started from the end of 2008, and is planned to last 5 years ending in June 2012. It is owned by the Provincial People Committee (PPC), the highest State management authority of the province. A project management unit (PMU) was set up by the PPC to be directly responsible for delivering the project's objectives via coordination with implementing partners that are mainly State functional agencies at different management levels within the province.

The IFAD project, together with strong technical assistance provided by German Technical Assistance Agency (GTZ), introduced value chain thinking to the province. Vietnam's economy has traditionally been supply-driven focusing heavily on enhancement of production capacity without giving much consideration to market acceptance. As a result, farmers had been increasingly struggling to sell off their produces to the market. The introduction of the IFAD project to be implemented by applying value chain approach became a valuable solution to the situation, in which the answers to what to produce and how to upgrade production will be ascertained through detailed analysis of the whole value chain, not only in a confined area of production.

In terms of value chain development, there are three key components in the project and each is supposed to deliver certain groups of activities. Three chains were selected for upgrading interventions, with rice as the most important one. This case study focuses on rice.

Selection of priority chains was principally based on two criteria groups: potential to create additional economic value and impacts on poverty. Mark was given to each of the criteria and the selected chains are the ones that score highest marks. All criteria share equal weights in the final total mark. The marking was relatively qualitative without detailed studies backed by quantitative evidences. It involved various workshops, participated by different stakeholders, with purposes to (1) introduce value chain concept and selection methodology, (2) assess criteria against the chains in consideration, and (3) agree on marks given to the criteria. The selection process ended up with rice, peanuts, and beefs being chosen as priority value chains.

Value chain analysis of rice concentrated on three main areas: (1) the level of participation by the poor, (2) opportunities for upgrading operational deficiencies, and (3) improvement on vertical and horizontal linkage. Findings from the analysis, including systemic constraints, formed critical grounds for the next stage of designing.

The designing is led by a Value Chain Task Force (VCT) that is established by the PMU, and consisting of experienced representative members from provincial functional agencies. To ensure for the quality as well as feasibility of the designed activities, the process of designing involved a number of in-depth discussions within the VCT team. In addition, comments by other VC actors, collected through formal workshops or other forms of informal communication, were also taken into account.

The designing process is structured into four stages: (1) Deciding development objectives, (2) Deciding major groups of activities to achieve the identified objectives, (3) Designing specific activities, and (4) Reviewing. The designed activities are those that can properly address the key systemic constraints, identified in the analysis phase, to improving market participation of the poor. In general, upgrading interventions were recommended for all the nodes of the rice chain. But primary focus appears to be placed on improving horizontal linkage for farmers, which is basically about developing farmers groups.

Baseline was established but not detailed at value chain level. It mainly consists of data on poverty rate at communes within the project area, and on the general picture of the industry.

The Value Chain Task Force is responsible for delivering designed interventions with strong technical support from the German Technical Assistance Agency (GTZ).

The implementation has been largely focused on improving horizontal and vertical linkage through developing farmers groups, Common Interest Groups or Cooperatives. While major activities are on upgrading the production for farmers, such as investments in min-infrastructure or improvement in rice varieties, businesses are indirectly benefited from the project's support for the provision of business development services in the industry. In terms of pro-poor strategy, only cooperatives with one third of total members being the poor are eligible for receiving the project's support. Also, certain rates of participation of the poor are also imposed on employment skill training courses

There had some practical issues experienced in the implementation. These are the under-estimate of time allowed for achieving desired results, insufficient local capacity, and the difficulty in convincing farmers of the benefits derived from joining farmers groups.

There have reports on the activities of the project, such as the number of Common Interest Groups formed or investments in bridges and intra-field road to improve production. However, these are only interim outcomes, measuring what and how many activities were delivered, not the results of the activities. So, ultimate impacts, such as change in market awareness or in the poor income, were not yet available

Since the project's activities focused mainly on supporting farmer through promoting collective power of farmer groups, the reported outcomes largely reflected performance related to farmers groups like the number of CIGs or contracts as a result of vertical linkage promotion. Pro-poor outcomes were incorporated in the ones of CIGs as the CIGs were required to have one third of members being the poor. But the sustainability of the poor in farmer groups remains a risk that needs to be further addressed.

Case 3: ILO/SIDA, Anthurium in Sri Lanka

Enterprise for Pro-Poor Growth (Enter-Growth) was a four year project, funded by SIDA and implemented by the ILO. It started in June 2005, following the completion of the ILO/SIDA Start and Improve Your Business (SIYB) project, and was completed in September 2009. The total project budget was \$5.1 million. The project was manned by around 14 full-time staff in 5 offices in Sri Lanka. Enter Growth was set up to work on local economic development and empowerment in the North Western and North Central Provinces of Sri Lanka. The project's goals were to contribute to the generation of pro-poor economic growth and quality employment for women and men, through an integrated programme for the development of micro and small enterprises in the selected provinces. The main objectives of the project at the district level were: 1) Improving market access, expanded markets for services and products of micro and small enterprises through increased productivity and competitiveness, a stronger demand orientation, and better market linkages. 2) Developing a better business environment - a policy, legislative and regulatory environment in the selected provinces that is conducive to the growth of micro and small enterprises and which brings more of them into the formal economy. 3) Promoting enterprise culture - following from its SIYB program the project aimed to promote enterprise as a valued option for employment; and at national level its objective was to promote business development services for greater access countrywide to market-led, sustainable business services for micro and small enterprises.

The project used a range of tools and approaches to realize these objectives. They were based on participatory approaches to bring stakeholders from the public sector, private sector and NGOs together to advance growth of the selected local economy through micro and small enterprise development. The project design therefore was flexible and combined a variety of components, involving several tools and approaches. Value chain (VC) development was one among these. The project worked with 12 value chains. VC selection emerged on an on-going basis during the life of the project. The VC selection has been principally based on the local comparative advantage (LOCA) approach to local development and the project's own value chain development methodology.

The project implementation work commenced with stakeholder mapping and building up a network, including preparing for the establishment of the district-wide micro and small enterprise (MSE) forums that involve public and private sector (represented by Chambers of Commerce) stakeholders, NGOs working in the area and public sector service providers. The project consistently used a hands-off approach in implementation, in view of facilitating rather than intervening. This approach was expected to complement the project concept of enabling stakeholders to arrive at implementing their own solutions. The objectives of the hands-off approach were to help stakeholders identify appropriate activities and build local ownership and commitment - leading to a sustainable impact. While the initial stages of the project were spent on LOCA and on VC development exercises, subsequently when intervention partners accepted the implementation of various aspects of the solutions, the project's role was in coordinating the activities of the various stakeholders through steering group meetings. The anthurium value chain was one of the initial value chains selected by the project for development in the Kurunegala district. During the last stages of the project work on this was included in the floriculture value chain.

Case 4: IFAD, Rubber in Sri Lanka

The Moneragala Rubber Smallholders Sub Program (MRSSP) is a 5,000 ha demonstration project in the Moneragala district in Sri Lanka, positioned as the initial phase of the Moneragala Rubber

Development Program (MRDP). MRDP is a national program of the Ministry of Plantation Industries (MPI) and the Society of Rubber Industries (SRI), a cluster of rubber industry stakeholders in Sri Lanka, to bring under rubber cultivation around 40,000 ha of land in the Moneragala, Badulla and Ampara districts within 15-20 years. The Moneragala District is one with the highest incidence of poverty in Sri Lanka and where options for entrepreneurship are few. The project is designed to take a smallholder approach where given a level of technical and financial support in the first 5-7 years the rubber crop will guarantee a good income to poor farmers with little or no inputs thereafter for 25 years. MRSSP is a component of the IFAD funded Smallholder Entrepreneurship Development Program (SPEnDP) which is a USD 22.5 million credit line extended by IFAD to the government of Sri Lanka. It comes under the supervision of the MPI. The project commenced in November 2007 and is designed to run for ten years. The program follows from the work of the USAID funded The Competitiveness Program (TCP). The value chain work identified a significant supply constraint in the rubber industry value chain and matched it with intensive field research done by the Rubber Research Institute of Sri Lanka in exploring the growing of rubber in non-traditional areas. The goal of SPEnDP is the improvement of livelihoods and social conditions of smallholder estate crop producers on a sustainable basis. The program objectives are: 1) Developing sustainable out-grower systems with downstream processing enterprises run by smallholders; 2) promoting and consolidating effective partnerships between the target group and the private and public sectors; 3) strengthening institutional capacity through grassroots group formation on the basis of economic activities; 4) improving land tenure – to develop profitable and sustainable smallholder farming systems in accordance with the land suitability; 5) increasing producer profits through improved post-harvest handling, storage, processing and marketing of their products; 6) developing rural finance and credit services to finance investments by beneficiaries in agricultural and income generating activities; and 7) increasing gender participation to improve women's living conditions and reducing poverty.

The implementation program is structured to cover the design components of community development, mobilization of rubber development clusters, mobilizing nursery development, planning and mobilizing the planting of rubber plants, building technical capacity among rubber farmers, building linkages to value chains for intercropping, marketing and market linkage development for both intercropping and the rubber product. The project will locate suitable state lands which fit the optimum agro-ecological conditions for rubber cultivation and match with pro-poor beneficiaries. Priority is given to women-headed households and to youth and a special focus on communities living in abject poverty in abandoned rubber estates. Women are expected to represent at least 50% of the beneficiaries of land allocation. Administration of the rubber cultivation program is done in coordination with the Rubber Development Department.

Case 5: USAID, Cocoa in Indonesia

Project origin:

The Agribusiness Market and Support Activity (AMARTA) Project has been covering ten agribusiness sectors to improve quality and increase productivity throughout each of the value chains. The cocoa value chain has been selected as one of the main intervention areas of AMARTA. Cocoa is a cash crop commodity of major importance to Indonesian rural smallholder farmers providing stable returns over a longer term if production, pest/disease, market access and quality issues are addressed.

The project has been funded by USAID and Olam International Ltd, implemented by Development Agencies Inc. (DAI) since September 2006 to September 2009 and it has been extended up to December 2010.

Purpose:

Assist the Government of Indonesia to develop a more robust, competitive agribusiness value chain for enabling the creation of work opportunities, economic growth, and improvement in rural livelihoods

Main activities:

The objective of the project is to put in place a set of practical examples for coordinated value chains cutting across a range of geographical locations and sub-sectors in the Indonesian agricultural economy.

- a. **Assessment and Strategy:** A set of Indonesia Country Agribusiness Competitive Assessments serve as the foundation for understanding the macro environment in which individual Indonesian agribusinesses operate.
- b. **Agribusiness Industry Assistance and model Value-chains commodities:** AMARTA has been using a value-chain strategy to cover the full range of activities required to bring a product or service from its conception to its end use and beyond.
- c. **Advocacy for improved environment and removal of constraints:** AMARTA works with stakeholders at the national and sub-national levels to remove policies and regulations that constrain the growth and development of key value-chains.
- d. **Training/consultancy and participant training:** Key to AMARTA, and a substantial portion (at least 5%) of the project budget, will be the provision of participant training in-country and/or abroad.
- e. **Public Awareness, public affairs and communication:** AMARTA has been using a communication and public awareness campaign, including news-papers, magazines, radio, television, and internet-based media to support heightened public and private perceptions and promote a common message.
- f. **Value-chains Support activities:** A sub-grant component will support value-chain activities and further enhance competitiveness with grants of US\$5,000 to \$100,000.

Main actors:**USAID**

The USAID invited Blommer and Olam to apply the Sulawesi Alliance of Farmers (SAFOB) model to the USAID AMARTA program. A memorandum of understanding was signed by the three parties in February 2007.

Olam International Ltd

Olam has been established a farm productivity and yield improvement initiative in Sulawesi in partnership with the Blommer Chocolate Co and AMARTA in order to improve cocoa quality through enhanced agronomical practices and post-harvest technologies, through the use of solar dryers and restrict the cocoa pod-borer disease, therefore increase yield up to 22% in the farms covered by this project and Olam sourced about 13,000 tones of premium quality cocoa from the initiative.

Blommer Chocolate Company

Blommer Chocolate had sustainable farming program in Sulawesi, Indonesia. It has been operated in partnership with global supply chain manager Olam International. The program, known as SAFOB or Sulawesi Alliance of Farmers, Olam and Blommer Chocolate, builds on the technical skills learned in the farmer field school by providing additional technical education, pricing incentives, and global market access to farmers.

Big Tree Farms (BTF)

BTF motivated, well positioned and supported a new market opportunity for organic premium cocoa that did not exist in other regions. BTF awarded first grant USAID – AMARTA project for Improvement of Fermented Cocoa Production in Bali. They developed Centralized Cocoa Processing Unit that has been used by the farmers to ferment their cocoa and access high value cocoa markets, obtaining a higher price for their product.

World Cocoa Foundation (External Actor);

The World Cocoa Foundation (WCF) initiated, developed training materials and transferred technical skills learned in the farmer field school in the SAFOB and it was scaled up in the AMARTA project.

Development Alternatives Inc. (DAI)

DAI has been selected by the USAID as consulting firm or service provider who implemented AMARTA Project in Indonesia. The total project is USD 14.9 million, including USD 1.4 million of grant funds, over three years, subject to need and the availability of funds. The successful provider was obligated to addressing cocoa sector in fulfilling contractual obligations.

Case 6: ACIAR, Potatoes in Java, Indonesia

Project origin:

The project “Linking Farmers to Markets in West and Central Java” has been initiated by the International Potato Institute (CIP) in collaboration with the Indonesian Vegetable Research Institute (IVEGRI). The project is funded by the Australian Centre for International Agricultural Research (ACIAR). Affiliated partners are SwissContact Indonesia with responsibility in training, the University of Adelaide, Australia, engaging in market chain assessment and policy analyses, and Department of Agriculture and Food in Western Australia (DAFWA) providing expertise in linking market opportunities to on-farm innovations. Further, the Ministry of Agriculture Food Crop Agency for West Java and two local NGOs, Eco Pesantren Daruttauhid and LPTP, were engaged in facilitating some of the projects activities.

The project is active in the Pangalengan, Garut and Wonosobo regions in Java where potato farming is an important activity and contributes substantially to the livelihoods of many small-scale resource poor farmers. The project also includes value chain actors that are active in the markets of Bandung, Lembang, Bekasi, Tangerang Selatan and Jakarta. The project is in its final stage, eventually awaiting renewed funding for another phase.

Purpose:

To improve incomes and promote sustainable livelihoods among vegetable farming households in West and Central Java, Indonesia.

Main activities:

The objective of the project is to integrate farmers in profitable supply chains and enhancing their capacity to adopt new technology and innovative practices that are market driven. This is meant to be achieved through the following activities:

- Assess current supply chains, market information flows and the contribution of vegetable production to farmers’ livelihoods.
- Design strategies to enhance coordination among supply chain partners in the marketing of fresh and processed vegetables.
- Develop and pilot-test marketing innovations for enhancing farmers’ participation in vegetable supply chains.
- Strengthen farmers’ capacity to effectively use market intelligence in adopting improved production technologies and practices.

Main actors:

The International Potato Institute (CIP)

Worldwide leading research organization in the field of potato research, in pursuit of MDG framework. Developed participatory methodology to link poor farmers to markets (M4P). Intellectual leadership in the project. Project coordinator.

Indonesian Vegetable Research Institute (IVEGRI)

Local research organization with headquarters in the project region. Relationships with various farmers groups. Few experience with processing buyers and marketing.

Australian Centre for International Agricultural Research (ACIAR)

Main funding agency. Interest in development. Research interest in methodologies that lift small farmers out of poverty. In search for strategic partnering to augment impact.

SwissContact Indonesia

Support in training stakeholders in the field of market chain assessment and business planning.

University of Adelaide, Australia, Department of Agriculture and Food in Western Australia

Support in policy analyses, expertise in linking market opportunities to on-farm innovations.

Ministry of Agriculture Food Crop Agency for West Java

Policy support.

Eco Pesantren Daruttauhid and LPTP

Two local NGOs engaged in facilitating some of the projects activities.

Annex 2: Framework for describing and assessing the case studies

Project phases	Key descriptive issues	Key informants/ documents	Key criteria for assessment
<p>Value chain selection and analysis</p>	<p>Origin: What is the background (<i>e.g. previous projects</i>)</p> <p>Criteria: What were the selection criteria on the basis of which the value chain was selected? (<i>for example; the growth or value added potential of the VC, a mandate to work in a particular region or with a particular target group etc</i>)</p> <p>Process: What was the TOR for the assignment?</p> <p>Who conducted the analysis? How was the analysis conducted? (<i>e.g. desk study, interviews, participatory etc</i>)</p> <p>What was the scope of and depth of the VC analysis? (<i>e.g. coverage, level of detail, time used, actors included, interviews conducted, material reviewed</i>)</p> <p>Main focus: What were the main foci of the analysis? (<i>e.g. focus on pro-poor inclusion, focus on linkages, focus on upgrading needs, focus on chain efficiency & bottlenecks</i>).</p> <p>Was focus on creating a new value chain, improving efficiency in an existing value chain, improving the value chain participation of particular groups, or on delimiting possible negative outcomes for particular groups?</p> <p>Did the analysis include the whole value chain from production to market or was it limited to including specific nodes (<i>e.g. primary production</i>) (<i>was focus primarily on demand or supply, on firm level constraints or systemic constraints</i>)</p> <p>What were other important themes of analysis (<i>e.g. quality issues, information flow etc.</i>)</p> <p>Did the analysis include a specific gender analysis, pro-poor analysis, environmental analysis?</p> <p>Results:</p> <p>What were the key constraints highlighted in this analysis? What were the recommendations stemming from the analysis? (<i>in particular regarding upgrading requirements, alliances and pro-poor and gender issues</i>)</p>	<p><i>Key actors to interview:</i></p> <ul style="list-style-type: none"> - Country office manager for the lead organization behind the project - Programme responsible in lead organization if the project is part of a larger programme - Consultants or staff involved in value chain identification - Consultants or staff conducting the VC analysis <p><i>Key documents:</i></p> <ul style="list-style-type: none"> - The value chain assessment report - Project description - Programme documents (if the project is part of a larger programme) 	<p>Whole chain analysis</p> <p>Did the analysis cover the whole value chain or was it limited to including one or two nodes close to production? Depth of analysis of whole chain: is it purely mapping, does it specify the different actors, how the product is transformed, the value added along the chain, are there considerations as to power relations, lead firms etc.</p> <p>Identification of underlying systemic constraints*</p> <p>Was there sufficient depth and accuracy with respect to analysing risks and opportunities and identifying systemic constraints (going beyond firm level problems)</p> <p>Level of ownership achieved with key players</p> <p>Did the process achieve interest and ownership (buy-in) among key actors in and around the value chain?</p> <p>Identification of pro-poor, environmental and gender issues</p> <p>Did the analysis provide sufficient analysis of the weakest actors and of gender specific constraints? Depth of analysis should be qualified: was there simply pro-poor ‘targeting’ or pro-poor analysis?. Do the recommendations consider pro-poor/ environmental/gender impacts?</p>

Project phases	Key descriptive issues	Key informants/ documents	Key criteria for assessment
<p>Project design/ VC strategies including design of specific activities</p>	<p>What factors influenced the project design? What role for value chain analysis? Criteria: Were there any generic criteria that had to be applied in project design (e.g. a gender focus, focus on marginalised farmers, links to donor country market)? Process: How was the project design process? Did the process for example involve local research institutions or stakeholders? If local stakeholders participated, in which way were they involved and which stakeholder groups were most influential? Objectives: What were the overall objectives of the VC development strategies designed? (<i>e.g. to develop higher quality production</i>). Did the project have a financing focus, was it oriented on training, technical assistance etc? Were there any pro-poor/ environmental / gender objectives? Means: What were the means through which the objectives would be achieved? (<i>e.g. the need for a quality control system</i>). Did the means include any specific upgrading strategies such as product/ process/ functional upgrading, improving or facilitating new linkages or alliances? Activities: What were the specific intervention activities designed? (<i>e.g. technical assistance to help develop standards and an information campaign on these</i>). Is the project organized purely around a value chain or is value activities only one component among many? Baseline: Was baseline data gathered? Organization: How is the project organized? Who finances, who implements, who researches? Does the project link to larger programmes or other projects? With whom: Who are the partners (i.e. value chain actors directly involved in the project)? Where: Where in the value chain are activities focused? (<i>e.g. production, processing, marketing</i>)</p>	<p><i>Key actors to interview:</i></p> <ul style="list-style-type: none"> - Consultants or staff participating in designing the project. - Stakeholders involved (or consulted) <p><i>Key documents:</i></p> <ul style="list-style-type: none"> - Project proposal - Project description (see also programme description if the project is part of a larger project) - Log-frame 	<p>Relation to analysis How did the project design relate to the VC analysis and recommendations? Value chain focus Where in the value chain are activities focused and is project design (and activities) based on a whole chain perspective? Addressing systemic constraints Is there an ambition to address systemic constraints in relation to the value chain? Addressing pro-poor, environmental and gender specific issues Were the VC development strategies designed to be pro-poor, environmentally and gender sensitive? How deep do they go? Do they address systemic constraints or do they simply increase participation of poor actors? Sustainability Is there a future vision for the value chain operating in a sustainable manner? (<i>e.g. who will do what and who will pay for what?</i>). When did sustainability issues come up – in the recommendations, in the design or implementation phase or when phasing out?</p>

Project phases	Key descriptive issues	Key informants/ documents	Key criteria for assessment
<p>Project implementation</p>	<p>Connecting value chains analysis with handling the challenges of implementing? How: How have the VC development strategies been implemented?</p> <ul style="list-style-type: none"> - What have been the main challenges in this respect? - What has been the role of different stakeholders? <p>Upgrading: Have any process, product or functional upgrading been facilitated?</p> <ul style="list-style-type: none"> - If so, what have been the main challenges in this respect? - Where have upgrading taken place? (<i>e.g. input supply, production, primary processing, marketing</i>) <p>Linkages: Have new linkages (horizontal or vertical) between value chain actors been forged or existing links improved?</p> <ul style="list-style-type: none"> - If so, what have been the main challenges in this respect? - Where in the chain have linkages been forged? (<i>e.g. in relation to input supply, production, primary processing, secondary processing, marketing</i>) <p>Alliances: Have any strategic alliances between VC and non-VC actors been facilitated?</p> <ul style="list-style-type: none"> - If so, what have been the main challenges in this respect? - Where in the chain have alliances been facilitated? <p>Gender/ pro-poor /environment : Have any specific gender or pro-poor or environmental strategies been implemented?</p> <ul style="list-style-type: none"> - If so, what have been the main challenges in this respect? - Where in the chain where these strategies targeted? <p>Evaluation/ revision: Has a validation/revision of the VC analysis been conducted?</p> <ul style="list-style-type: none"> - If so, what were the main findings? <p>Has a midterm evaluation been conducted?</p> <ul style="list-style-type: none"> - If so, what were the main findings? <p>Have there been any adjustments to the original project design?</p> <ul style="list-style-type: none"> - If so, which? And why? <p>External factors: What external factors have influenced the implementation of the project in ways that may have caused different outcomes than expected?</p>	<p><i>Key actors to interview:</i></p> <ul style="list-style-type: none"> - Project staff - Stakeholders involved <p><i>Key documents:</i></p> <ul style="list-style-type: none"> - Project reports (yearly progress reports etc) - Mid term evaluations (internal/external) 	<p>Challenges Can any of the challenges identified be related to the value chain analysis (and possibly issues not sufficiently covered in the analysis)?</p> <p>How were challenges dealt with and was value chains analysis brought in (and if so how and to what extent)?</p> <p>Adjustments If adjustments in strategies or activities have occurred, can these be related to revisions of the VC analysis? Was a value chain approach used to make adjustments and was the original value chain analysis reviewed?</p>

Project phases	Key descriptive issues	Key informants/ documents	Key criteria for assessment
Project outcomes	<p>Documented outcomes</p> <ul style="list-style-type: none"> • Are there any documented (negative or positive) outcomes (on the value chain and target group) stemming from the project activities? (<i>in relation to upgrading and overall chain efficiency</i>) • Where in the value chain have outcomes occurred? • Are there any documented pro-poor, • Are there any documented environmental outcomes? • Are there any documented gender outcomes? • Have external factors influenced the implementation of the project in ways that may have caused different outcomes than expected? <p>Perceived outcomes</p> <ul style="list-style-type: none"> • If there are no documented outcomes, what are the main outcomes as perceived by project staff and different groups of stakeholders? • In the perception of project staff and different groups of stakeholders, what are the main positive aspects of the project? • In the perception of project staff and different groups of stakeholders, what have been the main challenges of the project? • Have external factors influenced the implementation of the project in ways that may have caused different outcomes than expected? • In the perception of project staff and different groups of stakeholders, was the VC development strategies implemented adequate and appropriate? • In the perception of project staff and different groups of stakeholders, was the VC development strategies implemented sustainable? • In the perception of project staff and different groups of stakeholders, what could have been done differently? 	<p><i>Key actors to interview:</i></p> <ul style="list-style-type: none"> - Project staff - Stakeholders involved <p><i>Key documents:</i></p> <ul style="list-style-type: none"> - Final project report - Final evaluation (internal/external) - Mid term evaluation - Yearly project reports 	<p>VC analysis and project outcomes Can clear connections be drawn between documented or perceived outcomes (or lack of outcomes) and the value chain analysis conducted prior to project design?</p> <p>VC analysis and pro-poor outcomes Can pro-poor, environmental and gender outcomes (or lack of outcomes) be related to pro-poor, environmental and gender issues identified (or not identified) in the value chain analysis</p> <p>Non-VC related factors What are the most important reasons for the positive or negative outcomes identified?</p>

Underlying systemic constraints refer to constraints that go beyond specific problems that firms and producers face. The rationale for using a value chain approach is to focus on the chain and not just on individual firms/producers. It is also a shift in focus from supply to demand. A firm level (supply focused) approach would thus ask “what problems do firms face?” – for example in terms of finding costumers, reducing costs etc – “and how can we address these problems?”. A systemic approach on the other hand would ask “What problems do firms face, why isn’t the value chain and business environment around the firms providing answers to their problems and given the demand requirements of the chain, how can we address these problems?”



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