Promoting Value Chain Development
- The ValueLinks approach -

Strategic development of agricultural supply chains in Sub-Saharan Africa
Regional Workshop 12 - 15 December 2006, Ouagadougou, Burkina Faso

Andreas Springer Heinze and Annemarie Mattheyss
GTZ Head Office Division Agriculture, Food & Fisheries
Promoting value chains: Principles and elements

ValueLinks approach, experience, training

The upcoming Value Chains Conference in Berlin
Principles, elements, concepts

- **Market orientation:** start from market demand – promising products offering growth potential + business opportunities for the poor

- **Private leadership:** Enterprises take the lead in VC upgrading.

- **Systems perspective on value chains:** Enterprises, service providers and supporters involved in making & in marketing the product have a common interest in the growth of the final market. They increasingly cooperate, forming a business community

- **From regional to global:** Value chains differ in size, in outreach and in organization / governance
Principles, elements, concepts

- **Action orientation**: Taking a value chain perspective, the focus is on action to improve and upgrade. (“Optimal ignorance”)

- **Managing interfaces**: between value chain promotion and other approaches to economic development, especially regional economic development, BDS market development and the improvement of the investment climate

- **Modular approach**: Principles, criteria and tool kit instead of fixed methodology
## Principles, elements, concepts

### (Dis)aggregation

<table>
<thead>
<tr>
<th>Sector</th>
<th>Agriculture &amp; Food</th>
<th>Leather</th>
<th>Textiles &amp; Garment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Sector</td>
<td>Fruits</td>
<td>Leather garment</td>
<td>Home textiles</td>
</tr>
<tr>
<td></td>
<td>Flowers</td>
<td>Leather articles</td>
<td>Carpets</td>
</tr>
<tr>
<td></td>
<td>Cereals</td>
<td>Upholestry</td>
<td>Clothing</td>
</tr>
<tr>
<td></td>
<td>...</td>
<td>Shoes</td>
<td>...</td>
</tr>
<tr>
<td>Value Chain</td>
<td>Bread</td>
<td>Leather shoes</td>
<td>Apparel</td>
</tr>
<tr>
<td></td>
<td>Biscuit</td>
<td>Ladies, men, children</td>
<td>Knitwear</td>
</tr>
<tr>
<td></td>
<td>Pasta</td>
<td>Sport shoes</td>
<td>Jeans</td>
</tr>
<tr>
<td></td>
<td>...</td>
<td>Casual shoes</td>
<td>...</td>
</tr>
<tr>
<td>Channel</td>
<td>e.g. bread sold in supermarkets</td>
<td>e.g. Retail shops</td>
<td>e.g. brand name apparel sold in specialty stores</td>
</tr>
</tbody>
</table>

According to end product / marketing system.

- Bread
- Fruits
- Flowers
- Cereals
- Pasta
- ...
Principles, elements, concepts

Functions directly related to the product in question including operational services delivered to operators

Specific inputs → Production → Transformation → Trade → Transport → Consumption

Support Functions - Services
- Information
- Public Research
- Collaboration
- Promotion projects
- Advocacy/common interests
- Fairs, joint marketing

Necessary general public functions enhancing businesses
- Infrastructure: Roads, electricity, water
- Legal framework: Food laws, taxes
- Political framework: Sector support
Promoting value chains: Principles and elements

ValueLinks Approach, experience, training

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Our concept: ValueLinks

Setting system boundaries

Chain analysis & strategy formation

Implementation in different fields of action

Monitoring and evaluation

 Decide whether to engage in chain promotion

Select a value chain for promotion

Analyze selected value chain

Build a chain upgrading strategy

Facilitation of chain development

Facilitate business linkages

Cooperate with the private sector

Strengthen chain services

Strengthen financial services

Introduce quality standards

Advice on sector & chain policies

Monitoring and measuring impact
Analytical and decision-making tasks

<table>
<thead>
<tr>
<th>Modules</th>
<th>Issues / Tasks</th>
</tr>
</thead>
</table>
| 0 Decide whether to engage in VC promotion | - Assess potential and limits of value chain promotion  
- Combine VC promotion with other development approaches |
| 1 Select a value chain | - Decide on the size of markets to be promoted  
- Priority setting across value chains  
- Conduct or support market research |
| 2 Analyze the selected VC | - Participatory chain mapping  
- Quantify and analyze value chains in detail  
- Economic analysis of VCs and benchmarking |
| 3 Build a VC promotion strategy | - Agree on a vision  
- Analyzing constraints to upgrading  
- Set operational objectives and prepare upgrading action  
- Identify actors implementing upgrading activities  
- Construct impact models |
| 4 Facilitation of chain development | - Clarify public, private, and donor roles  
- Design the upgrading process, entry + exit points  
- Organize chain promotion project and scaling-up  
- Institutionalize collective action of chain actors |
### Fields of implementation and supportive action

<table>
<thead>
<tr>
<th>Modules</th>
<th>Issues / Tasks</th>
</tr>
</thead>
</table>
| 5 Strengthening business linkages | - Fostering horizontal cooperation - professional associations  
- Brokering vertical cooperation - supplier / buyer contracting  
- Business match-making |
| 6 Cooperation with the private sector | - Engaging private enterprises in development  
- Public-Private Partnership projects |
| 7 Strengthening Service Capacity | - Assessing service needs and service markets  
- Strengthening private service markets and arrangements  
- Improving responsiveness of public service providers  
- Strategic use of external services |
| 8 Supporting VC financing | - Strengthening private financial services in VCs  
- Channeling public funds to support VC development |
| 9 Social, ecological and product quality standards | - Introducing social, ecological and product safety standards  
- Implementing standards  
- Building the capacity for verification and certification |
| 10 Sectoral Economic Policy | - Supporting private initiatives addressing business constraints  
- Fostering coherent VC promotion policies |
### Monitoring & Evaluation

<table>
<thead>
<tr>
<th>Module</th>
<th>Issues / Tasks</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 Impact Monitoring</td>
<td>- Defining indicators and measuring impact</td>
</tr>
<tr>
<td></td>
<td>- Designing an Impact monitoring system</td>
</tr>
<tr>
<td><strong>Visioning is key</strong></td>
<td>start with opportunities, not with problems</td>
</tr>
<tr>
<td>----------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td><strong>Poverty alleviation objective</strong></td>
<td>Mainly covered by selecting the “right markets” in the first place.</td>
</tr>
<tr>
<td><strong>Knowing the limits</strong></td>
<td>There are clear limits to the effectiveness of the approach – conflicts of objectives between growth, poverty reduction and aid efficiency</td>
</tr>
<tr>
<td><strong>Build on private initiative</strong></td>
<td>Value chains are constantly evolving. Our role often is limited.</td>
</tr>
<tr>
<td><strong>Separate upgrading and facilitation</strong></td>
<td>Upgrading is a private strategy and chain actors have to take responsibility for it. Facilitation follows a development logic.</td>
</tr>
<tr>
<td><strong>Visual language</strong></td>
<td><em>ValueLinks</em> symbols enhance common understanding and collective commitment</td>
</tr>
</tbody>
</table>
Value chain promotion supported by GTZ

**SE-Asia**  Thailand, Nepal, Vietnam, Bangladesh, Sri Lanka

**Central Asia**  Georgia, Uzbekistan

**Eastern Europe**  Montenegro, Romania

**LAC**  Ecuador, Brasil, Peru, El Salvador, Nicaragua

**SS-Africa**  Ghana, Kenya, Burkina Faso, Benin, South Africa

**N-Africa**  Egypt
Seminar and Workshop formats

- **ValueLinks Sensitization Event** – 1 day
- **ValueLinks Training Seminars** – 5 days / 2 days
- **ValueLinks Training of trainers**
- **ValueLinks Stakeholder Workshops** – 1 to 2 days
- **ValueLinks Manual**
- **ValueChain_info**
- **ValueLinks Process backstopping on demand**
ValueLinks International Training Seminars

In 2005: East Africa, West Africa, South and SE Asia
In 2006: Latin America
In 2007: South and SE Asia (Kathmandu)

ValueLinks National Qualification Programmes

from 2005: Bangladesh, Nepal
from 2006: Ecuador, Ethiopia, Georgia
from 2007: Vietnam, Brasil, Egypt, India, (and others)
Promoting value chains: Principles and elements

*ValueLinks* training and other products

The upcoming Value Chain Conference in Berlin
"Harnessing value chains for broad-based development"

**Objectives**

(1) Joint review of practical experience in promoting value chains, for domestic markets in low-income countries and for the global market

(2) Determination of strategies for up scaling value chain promotion

**Issues and Topics**

- Policies for business environment and trade promotion
- Cooperation of public and private sectors
- Market challenges, pro-poor market potential
- Value chain promotion in the context of Local Regional Economic Development (LRED)
- Horizontal collaboration of SME / producer associations
“Harnessing value chains for broad-based development”

Dates and venue
30 May to 1 June, 2007 in Berlin, Germany

Secretariat

c/o Dr. Ute Baumgaertel
GTZ Berlin, Germany
Email: Ute.Baumgaertel@gtz.de

c/o Petra Baderschneider-Vahedi
GTZ Eschborn, Germany
Email: Petra.Vahedi@gtz.de
Example of upgrading project

Specialty COFFEE in Ethiopia

Draft prepared by ValueLinks_Trainees, Ethiopia october 2006
- Amare Tesfaye- Ethiopian Coffee Exporters Association
- Tesfaye Desta- MoARD
- Teklu Tesfaye- EIAR
- Teshome Dega- Oilseeds exporters Association
- Valerie Schuster- ECBP
Vision

Use Ethiopia’s unique asset – specialty coffee – to generate more income for poor producers by increasing the penetration of international Premium Markets.
Why Specialty Coffee?

**Poverty Reduction**  
Producers of specialty coffee are poor!

**Outreach**  
Coffee main export commodity of ET  
Cooperatives + associations are in place  
ET coffee can already meet requirements

**Growth Potential**  
Export opportunity (data!)  
ET's production capacity is better compared to other countries

**Prospects of Success**  
Genetic diversity of Ethiopian coffee  
Unique flavour of ET coffee  
Premium for specialty coffee

**Other aspects**  
Experiences available  
Confirmed potential for PPP
Chain Mapping
Coffee specialties for export

Specific inputs
- Provide equipment
- Grow, harvest
- Plants/Varities
- Plant

Production
- Wet processing
- Drying, Cleaning
- Packing

Processing
- Storing
- Transport

Trade and quality control
- Traders running big wet processing centers
- Big wet processing centers
- Wet processing centers
- Traders
- Intermediary Traders
- Producers' Cooperatives Union
- Exporters
- Auction
- Coffee & Tea Quality Inspection Center
- Post auction quality control
- Hulling
- Grading
- Packing

Consumption
- Roasting
- Milling
- Extraction

Export market
- Internal Coffee roasters
- Retailers
- Consumers

Government:
- Government, Extension PADETES
- Govt., Extension, PADES

Research institutes:
- EIAR / IARC
- Coffee Research Institute
- German Research Center ZEF

Programs:
- EC Coffee Improvement Project
- 4C Program
- Advice on intern, eco, + social standards
- PPP GTZ + Jacobs / Original Food
- EGBP
- USAID Coffee Programme

Chamber of commerce
- Ethiopian Quality & Standards Authority

Government bodies (MOARD, MOIT)
Constraint analysis
Coffee specialties for export
## Strategic Fields of Intervention

<table>
<thead>
<tr>
<th>Levels</th>
<th>Communication</th>
<th>Marketing / Branding</th>
<th>Quality</th>
<th>Productivity</th>
<th>Certification</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Research and Technology dissemination</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Micro</strong></td>
<td></td>
<td></td>
<td>Proper harvesting (timing, proper picking, only ripe cherries etc.)</td>
<td>Proper farm management (organic production, e.g., fertilizers, mulching and pruning, weeding)</td>
<td>Certification for producers and exporters</td>
</tr>
<tr>
<td>Meso</td>
<td>Stakeholder meeting (nov. 2006)</td>
<td>Direct export channels</td>
<td>Keeping more functions of the VC in Ethiopia (roasting, grinding, packaging)</td>
<td>Certification fund</td>
<td>Certification body</td>
</tr>
<tr>
<td>Meso</td>
<td>Coffee sector communication platform National fair on coffee specialities (planned 02/2007) organized by EAFCA, sponsored by USAID and SEQUA</td>
<td>Promotion / funds for promotion Making Ethiopian Coffee known as brand Involve international promotion agencies</td>
<td>Labelling and packaging</td>
<td></td>
<td></td>
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<tr>
<td>Macro</td>
<td>Donor coordination led by concerned Ministries</td>
<td>Make Ethiopia known as THE Coffee Country (genetic origin, varieties specialties)</td>
<td>Policy and regulatory framework for TRIPS issues</td>
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</tbody>
</table>
Partners

Ministries/Authorities
- MOTI
- Export Promotion Department
- MoARD
- Radio and Television Enterprise
- Quality and Standards Authority Ethiopia

Producers
- Cooperatives and their Unions
- Specialty Coffee Associations

Traders
- Exporters Association
- (International) Coffee Roasters

Research
- EIAR

Certification Body

Donors

International Promotion Agencies
## Partners’ activities (1)

| Communication / Coordination | MOTI, MoARD  
Radio and TV Enterprise  
Donors |
|-----------------------------|------------------|
| Marketing / Branding        | MOTI (Export Promotion Department)  
MoARD  
Exporters Association  
International Promotion Agencies  
Farmers Unions/Cooperatives  
International Coffee Roasters  
GTZ-SUN, ECBP, 4C-Program, EU, USAID… |
| Quality and Productivity (Technology) | EIAR, QSAE  
MoARD (Coffee & Tea Quality Inspection Center, …)  
Donors/International NGOs  
Farmers Unions/Cooperatives |
## Partners’ activities (1)

**Certification**
- MoARD QSAE, Coffee and Tea Quality Inspection Center, etc.
- Donors
- International Coffee Roasters

**TRIPS Issues (IPR)**
- MOTI
- QSAE
- Institute of Science and Technology