



USAID
FROM THE AMERICAN PEOPLE

VALUE CHAIN SELECTION: *Tools and Tales*

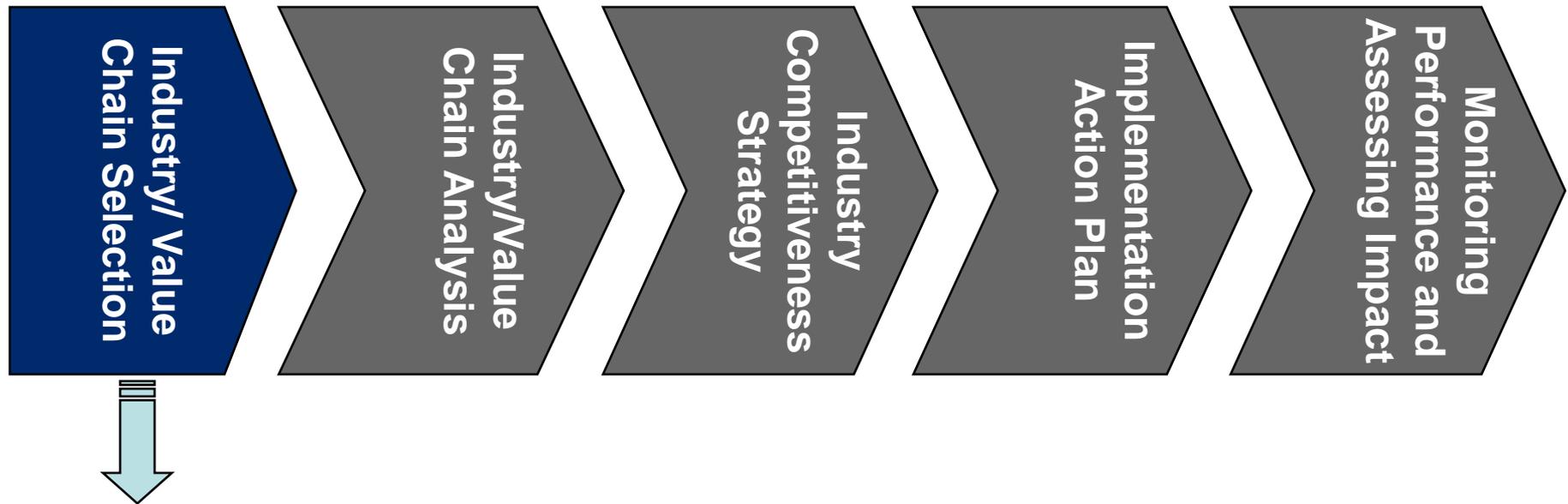
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MAIN TOPICS

1. Selection ***context***: why is it important?
2. Selection ***process***: how to conduct it?
3. Selection in ***action***: where was it done? what happened?

CONTEXT: KEY STEPS IN PROGRAM DESIGN



Value chain selection is important because it:

- entails review of critical questions early in the process (e.g. potential for growth, competitiveness, etc.); and
- ensures focus of time and resources for in-depth analyses

PROCESS: VALUE CHAIN SELECTION STEPS

Before you start:

- ✓ Determine which selection criteria to use
- ✓ Identify initial list of value chain candidates

Getting started (based on selection criteria):

- ✓ Review existing secondary data sources
- ✓ Collect and compile primary information

Bringing it all together:

- ✓ Complete short-listing of candidates (matrix)
- ✓ Compile results for final selection (ranking grid)

TYPES OF VALUE CHAIN SELECTION CRITERIA

Competitiveness

- ability to sustain advantage through efficiency, differentiation, new market/demand
- determined by end buyer or consumer

Impact

- impact at all levels: firm level (micro, small, medium, and large-scale) and/or industry-level
- considers the depth and breadth of benefits from increased economic growth

Cross-Cutting Objectives

- achievement of broad development goals (post-conflict areas, special populations, health, etc.)
- donor-driven objectives for allocation and targeting of resources

ILLUSTRATIVE CRITERIA FOR SELECTION

Competitiveness

- unmet market demand and growth potential
- capacity to respond to opportunities
- potential to differentiate from competitors
- supportive business environment
- etc.

Impact

- potential increase in MSME Income
- potential for employment generation
- number of MSMEs (including employees)
- etc.

Cross-Cutting Objectives

- government/donor involvement
- benefit in post-conflict areas or fragile states
- benefit for special populations
- etc.

SOURCES OF DATA FOR VALUE CHAIN SELECTION

- ✓ existing studies and reports / other secondary information (from donors, government, projects, etc.)
- ✓ individual interviews / surveys of key informants
- ✓ focus group discussions with key informants
- ✓ other analytical tools for value chain selection:
 - Porter's Five Forces and/or Diamond Framework
 - Boston Matrix
 - Competitiveness surveys
 - etc.

VALUE CHAIN SELECTION SEQUENCING

How can we compare value chains?!

How do we prioritize value chains?!

- short-listing of value chain candidates
- ranking of short-listed candidates

VALUE CHAIN SHORT-LISTING MATRIX

Potential Market Growth

High		<i>Higher Priority</i>	
Medium			
Low	<i>Lower Priority</i>		
	Low	Medium	High

*Potential No. of MSMEs
(including employees)*

VALUE CHAIN RANKING

ILLUSTRATIVE CRITERIA	Dairy (milk)	Green Beans	Crafts
<i>Competitiveness</i>			
-- Potential Unmet Market Demand and Growth [3x]	4 (12)	4 (12)	3 (9)
-- Capacity of MSMEs to respond to opportunities [3x]	4 (12)	3 (9)	3 (9)
-- Potential to Differentiate from Competitors [1x]	3 (3)	2 (2)	3 (3)
<i>Impact</i>			
-- Potential No. of MSMEs [3x]	3 (9)	4 (12)	2 (6)
-- Potential Increase in MSME Incomes [1x]	2 (2)	2 (2)	3 (3)
<i>Cross-Cutting Objective</i>			
-- Benefit for special populations [1x]	3 (3)	2 (2)	4 (4)
TOTAL WEIGHTED SCORE	41	39	34

Score of 1-5: [5 = highest, 1 = lowest]

SELECTION TALES: CHINA



Background: new USAID-funded program implemented by The Mountain Institute (TMI)

How long?: 2 weeks, 3 teams, 10 value chains in Yunnan Province (Aug 2005); 2 weeks, 3 teams, 6 value chains in Sichuan Province (Dec 2005)

Which criteria?: main criteria – potential unmet market demand and growth, and number of ethnic Tibetan beneficiaries. Other criteria: government engagement; environmental conservation; etc.

What Happened?:

- with different teams conducting interviews, need to ensure common approach and methodology; on-going monitoring of team progress
- need to manage possible expectations/apprehension during interview process
- used “volunteer” staff from possible partner organizations on value chain teams; was part staff training & partnership assessment

SELECTION TALES: EAST TIMOR



Background: new USAID-funded program implemented by DAI Inc.

How long?: 3 weeks, 3 teams, 2 value chains (Sep 2005)

Which criteria?: main criteria were potential to increase income and create employment. Lots of donors already active in most promising value chains

What happened?:

- conducted value chain selection during initial planning workshop and moved directly into value chain analysis phase
- challenge to integrate cross-functional team focused on finance
- business environment issues were key constraints to private sector growth in general and selected value chains in particular

SELECTION TALES: TANZANIA



Background: country study funded by USAID AMAP BDS; implemented by ACDI/VOCA

How long?: rapid sector selection – 2 weeks, 1 team (Oct 2005); secondary data collection and key-informant interviews conducted via phone and email; not done in-country.

Which criteria?: criteria categories: (i) MSE participation, (ii) competitiveness (growth potential, comparative advantage) (iii) multiple market channels

What happened?:

- explicitly considered value chain competitiveness as selection criteria (based on Boston Matrix and Porter's tools)
- value chain findings from in-country study were different than findings from selection process (no. of buyers and MSMEs involved limited)
- dropped some value chains based on time required for pre-field work potential; a “quick& dirty” process due to resource constraints
- selected high value vegetables (was also of donor interest)

FINAL SUGGESTIONS FOR VALUE CHAIN SELECTION

- ✓ keep selection criteria to manageable interest; distinguishing value chain selection from analysis is often difficult in practice;
- ✓ conduct initial planning workshop to ensure all team members use consistent approach; initial on-going monitoring is important;
- ✓ keep value chain assessment teams small (3 max.) and multi-disciplinary if possible;
- ✓ if selection is outsourced, terms of reference should detail selection criteria and methodology to be used [see Illustrative Scope of Work handout]

CONCLUSION

THANK YOU!

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