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EARLY LESSONS TARGETING POPULATIONS WITH A VALUE CHAIN APPROACH

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EARLY LESSONS TARGETING POPULATIONS WITH A VALUE CHAIN APPROACH

Submitted by:

Emerging Markets Group, Ltd.

Main Author: Nissa Felton

Peer Reviewers: Hayden Aaronson, Jacqueline Bass, Joe Dougherty, Victoria Francis, Beatrice Kinyanjui

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ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
COPE	Community-Based Orphan Child Protection and Empowerment
EMG	Emerging Markets Group
HIV	Human Immunodeficiency Virus
IG	Income generating
IGA	Income generating activity
LRA	Lord's Resistance Army
M&E	Monitoring and evaluation
MSEs	Micro and small enterprises
NGO	Non-governmental institution
OVC	Orphans and vulnerable children
SDVCA	Stabilization-Driven Value Chain Assessment
SPRING	Stability, Peace and Reconciliation in Northern Uganda
IDPs	Internally-displaced persons
UNICEF	United Nations
USAID	United States Agency for International Development
VC	Value Chain
VCA/SA	Value Chain Assessment/Situation Analysis

I. FOREWORD

The United States Agency for International Development (USAID) has long recognized the important contribution that micro and small enterprises (MSEs) can make towards poverty reduction, employment and private sector development. USAID's value chain approach provides a holistic and practical methodology for identifying and prioritizing constraints to improve industry performance, where the poor are concentrated. Value chain projects link large numbers of low income entrepreneurs into better markets, facilitate win-win relationships with larger firms and implement strategies for productivity enhancement while providing a safety net. Whether MSE's are vulnerable to serious disease or facing long-standing systemic issues like conflict, the value chain approach offers a vehicle to provide better wage-earning opportunities, create wealth in poor communities, and raise national income.

Through our research on targeting populations with a value chain approach specific gaps in knowledge were identified. First, the issues surrounding targeting should be explored further. Despite the challenges noted in this and other papers, targeting of populations will likely continue as an approach to economic development. How to best target a population, with the value chain approach, is still to be determined and further work should be done in this area to establish which approach is most appropriate given the needs and circumstances of the individual, group, and community. Also, it would be useful to explore the impact of targeting on earlier livelihoods models, and how they have been advanced as well as the potential spill over effects resulting from the pursuit of this strategy. Next, research is required to understand the "inclusive not exclusive" approach towards integrating vulnerable populations into value chains. For example, if a project is not mandated to actively incorporate groups into value chains, and project monitoring notes a lack of participation, what strategy or action, if any, should the project take to increase participation levels? We have seen that establishing arbitrary percentages of funding or project benefits towards various groups (such as grants, training, and assistance) runs the risk of creating divisions particularly in fragile post-conflict settings so a deeper understanding of risk mitigation strategies would be critical towards advancing better practices.

Many of the conclusions resulting from our initial research provide guidance as to the limitations behind current approaches. As current projects evolve through the project life cycle, data in terms of reconciliation of outputs, reporting, and the constraints of the value chain and production cycles will need to be monitored and analyzed to improve the design of future projects. Distilling this early experience and segmenting the target groups to extract specific lessons has been an important step to encourage further understanding of the benefits and limitations behind the utilization of a value chain approach. In particular, practitioners working at the juncture of humanitarian relief and economic development grapple with meeting immediate needs and reconciling them with the longer-term goals of economic growth and sustainability, requiring them to make difficult decisions. The resulting interventions may or may not be based on an analysis of the impacts of each action upon the other, and upon the long-term goals. For example, how do handouts of educational support (books, uniforms) to vulnerable groups impact market-oriented economic development activities? When working in conflict-affected environments, how does the emphasis on long-term economic prospects affect short-term financial needs? When and how are subsidies best placed to minimize their distortionary effects and maximize their developmental potential? Understanding the relationships between needs and approaches, taking into account the type of socioeconomic setting, would be useful in developing more effective programming.

We are grateful for USAID's Microenterprise Development collaboration that has resulted in this publication, and would like to acknowledge the efforts of Jeanne Downing and Jason Wolfe who conceived and challenged us to put this paper together and provided support and comments that saw it through its completion. We hope that you will find this publication to be a useful reference.

Jacqueline Bass, Senior Manager

Emerging Markets Group Ltd.

II. EXECUTIVE SUMMARY

Donor agencies, particularly USAID, and field practitioners have demonstrated increasing interest in using a value chain approach in projects that focus on benefiting specific target populations, such as youth, orphans and vulnerable children, women or marginalized ethnic groups. A value chain, which is made up of enterprises of all sizes contributing to the creation of a particular product or service, can be a particularly useful model when striving to create economic wealth in poor households. Microenterprises provide livelihoods for the majority of poor people in most developing countries.¹ Linking these microenterprises with local, regional, and global markets provides many benefits to the entrepreneur as well as the local economy. First, it creates access to information which allows the producer to stay abreast of market and product trends, enhancing the competitiveness of their products. Second, the relationships create access to the technology, finance, and business services necessary to improve products, fund expansion, and spur investment (upgrading products, hiring a new employee, etc.). By strengthening microenterprises and linking them to stronger and more stable markets, producers are able to increase revenues, income, and assets, while improving household security and reducing poverty. Donor support to microenterprises facilitates relationships, provides training and direction, and builds capacity, allowing microenterprises to engage with global trading systems on better terms.

The value chain approach has been applied with a pro-poor focus for many years by different donors. By applying this framework to specific target populations or to specific settings, such as post-conflict, USAID takes the approach one step further by tailoring interventions to meet the needs and circumstances of specific groups. A unique aspect of this approach is that it takes a market-driven methodology and applies it under circumstances of regional instability, or when tribal tensions, disease, or psychological trauma are prevalent. This challenges implementers to reconcile competing social and economic needs. Decisions made in terms of program design and implementation may differ between those made in a ‘pure’ value chain program under so-called ‘normal’ circumstances, reacting to market indicators, and a value chain program applied with a specific lens, tailored to meet the needs of a target population. Not only does this application challenge traditional value chain programming, but it also challenges traditional humanitarian and relief approaches by acknowledging the role that markets, and the ability of the poor to benefit from them, play in addressing the roots of social concerns, household dynamics, and security (physical, family, food, etc.). Finally, using a value chain approach to improve the lives of vulnerable target groups creates a new challenge for practitioners and program designers – how to minimize market-distorting subsidies while addressing the immediate, and often dire, welfare needs of a vulnerable group.

In order to identify some of the effects of applying a value chain approach to specific groups, EMG evaluated three of its projects to garner early lessons. Each project takes a unique approach to integrating a market-based approach with social objectives. The USAID-funded COPE project, which operates in four countries (Mozambique, Rwanda, Tanzania, Uganda), trains orphans, vulnerable children, and their caregivers in market-based income earning opportunities while also supplying them with subsidized non-economic benefits. The USAID-funded Uganda SPRING project focuses on creating economic initiatives for peace through an inclusive approach, and focuses investments in three value chains in northern Uganda. The Nike Foundation ‘Value Girls’ Project, which operates in Kenya, is unique in that it takes an exclusive approach targeting adolescent girls, something that has not been seen elsewhere. The latter two projects are in their first year of operations, hence the focus on ‘early’ lessons.

¹ USAID, p.ii.

In the course of the evaluation of the three projects, key themes emerged which may be useful to both field practitioners and program designers:

- **Utilize an integrated approach.** When using a value chain framework for project activities, it is important to recognize that an economic model might not be able to address the underlying causes of non-economic issues. In post-conflict settings, market-driven activities may be able to ease tensions between groups by creating a sense of community and commonality, but additional program activities should be developed to specifically address trust building and conflict resolution.
- **Recognize that the Value Chain Approach Takes Time to Demonstrate Results.** Value chain programs take many years to realize tangible results as a result of production cycles and the amount of time it takes to bring a product from raw inputs to finished output. Also, specific aspects of the value chain, such as group formation, take time to identify willing participants and build trust amongst one another, which is critical to sustainability. Value chain best practices should not be dismissed, but rather require careful analysis when adapting the techniques to specific circumstances or target populations.
- **Balance Accountability Requirements, Short-Term Needs, and Sustainability.** Project timeframes are often at odds with not only the project lifecycle of a few years, leaving little time to measure results, but also with the more immediate needs of vulnerable populations. Projects that strive to reach both social and economic objectives must balance competing interests and the need to provide immediate relief in tandem with long-term economic development. The need to see short-term results, which is often difficult in value chain programming, may require a project to first focus on immediate market opportunities and relief activities before moving on to higher-value market initiatives.
- **Move Beyond Demographics.** Targeting demographic groups can sometimes lead to an oversimplification of the type of assistance required. By labeling populations in such terms, it may prevent deeper analysis of the spectrum of individuals in each category, as well as their specific needs. This may limit flexibility in programming and impact.
- **Apply a Specific Lens to the Value Chain Analysis.** When applying a value chain approach to target groups it is important to take a core principle of value chain best practice to heart, outsourcing. When tailoring program activities to a specific group or situation, it is important that the programming and any analysis be done with a lens to the needs or circumstances in question. This may mean that a subject matter expert be incorporated into activity design or sector analysis, or that a combination of socioeconomic tools be used when understanding the sensitivities of the vulnerable groups.
- **Weigh the Costs and Benefits of Targeting.** One of the most important challenges of using targeting in program activities is the issue of stigmatization. By targeting a population, it is possible to elevate the status of the groups in a way that is actually counterproductive in terms of creating an environment rife with jealousy and resentment. Also, by taking a targeted approach, more immediate market opportunities with the potential to create broad based economic growth may be missed.

II. INTRODUCTION

Background

To reap the benefits of global economic integration, producers and service providers must create linkages with the broader national and international community. Market-based approaches to economic development can serve as powerful tools to promote more inclusive growth, and in the process, reduce poverty. Linking stakeholders into local, regional, or global value chains is one way in which microenterprises can take advantage of market opportunities, expand and improve the range and quality of services, and build their capacity.

Over the past few years, there has been increased interest by donors – for a variety of reasons – to integrate specific groups into markets. These include orphans and vulnerable children and their caregivers, young boys, youth, girls, young women, ex-combatants, and child soldiers, to name a few. This has presented value chain practitioners with a series of challenges at the assessment, implementation and monitoring stages of projects.

Emerging Markets Group, Ltd. (EMG) is among several practitioners who have used inclusive, pro-poor economic strategies to create stronger economic prospects for specific populations. In Mozambique, Rwanda, Uganda and Tanzania, project teams are developing income generation activities for orphans, vulnerable children, and caregivers affected by HIV/AIDS; on the shores of Lake Victoria, a project is looking for ways to improve the economic prospects for adolescent girls and young women; and in post-conflict northern Uganda a team is looking for ways to bring peace through economic opportunities. This paper focuses on early lessons culled from three different projects on which EMG is an implementing partner (on two of the projects EMG is the prime contractor, and on one, EMG is a subcontractor in charge of a specific component). Two of the three projects have been in operation for less than a year, so it is expected that the analysis of lessons will evolve over the project life cycles.

Value Chain Approach Best Practices

The value chain describes the full range of activities and services that are required to bring a product from inception to completion, and through final end-user consumption, disposal or recycling. Michael Porter developed this concept in the 1980s, and differentiated the value chain from other similar concepts by evaluating and adding value to the distinct phases of the production process. Porter highlighted the specific phases of the supply process, transformation of these inputs into outputs, and the support services provided along the way, distinguishing the linkages and relational power amongst market players.²

There are many different definitions of the value chain approach; although for the purpose of this paper the one crafted by USAID's Microenterprise Development office will be utilized. Here, the approach is defined as one that incorporates micro and small enterprises (MSEs) into local, regional, and global value chains. Product value and efficiency is increased at each stage of development, and an emphasis is placed on incorporating the poor into economic growth strategies. This approach is used to understand how MSEs in developing countries can successfully compete in value chains by targeting sectors in which the poor are heavily concentrated and addressing constraints to participation.³

As a result of globalization, and the increasing interaction between, and competition among, firms at all levels, contemporary value chains have changed from supplier-pushed, protected, low-competition value

² Kaplinksy and Morris, p.6.

³ USAID Microenterprise Development office, www.microlinks.org

chains to highly competitive and efficient buyer-driven product markets.⁴ Modern value chains place a greater emphasis on value addition through intangible activities, as well as improvements in the application of technology, and information management and utilization as an aspect of economic activity. These elements combine and serve as a firm or producer's unique product or marketing strategy, creating barriers to entry which are necessary for competitive positioning. Firm efficiency is a requirement for integration into the global economy, reducing the emphasis of cost as a competitive differentiator. Some firms still choose to use cost as their product differentiation strategy, which is reliant on the supply of cheap labor and low wages. Time has shown the short-sightedness of this strategy, since it provides only a temporary increase in incomes before production is moved to the next lower-priced market and the firm or producer quickly engages in a "race to the bottom".⁵ Central to the value chain approach is the emphasis on innovation and long-term competitiveness that leverages a firm's core competencies and results in increased incomes. The question that is asked of a firm or producer is not whether to integrate, but *how* to integrate into the global economy.

A specific value chain analysis would include the following key principles:

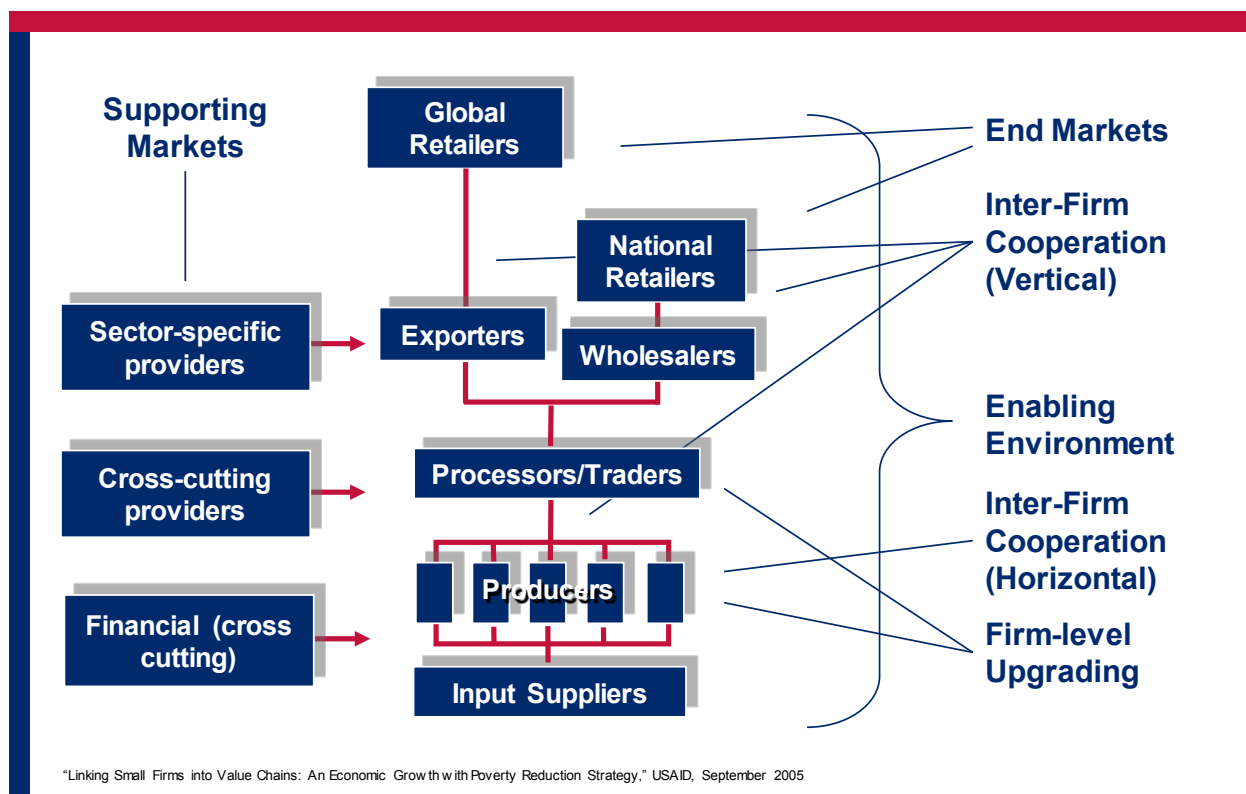
- An understanding of the *systematic competitiveness* of an industry.
- An explanation of the *distribution of benefits* along the chain.
- An understanding of *power relationships*.
- A focus on *integration* into *value-added* local, national, regional, and international *markets*.
- An understanding of *how* producers should integrate into global markets, and not *if*.
- An identification of opportunities to upgrade based on *innovation, value addition, differentiation*.
- An identification of a *long-term plan to maintain the competitive integrity* of an individual firm or firms, and understanding of how other market players' actions affect a firm's market success.⁶

⁴ Kaplinsky and Morris, p.55

⁵ Ibid, p.22.

⁶ Ibid.

VALUE CHAIN: A FRAMEWORK FOR INTERVENTION



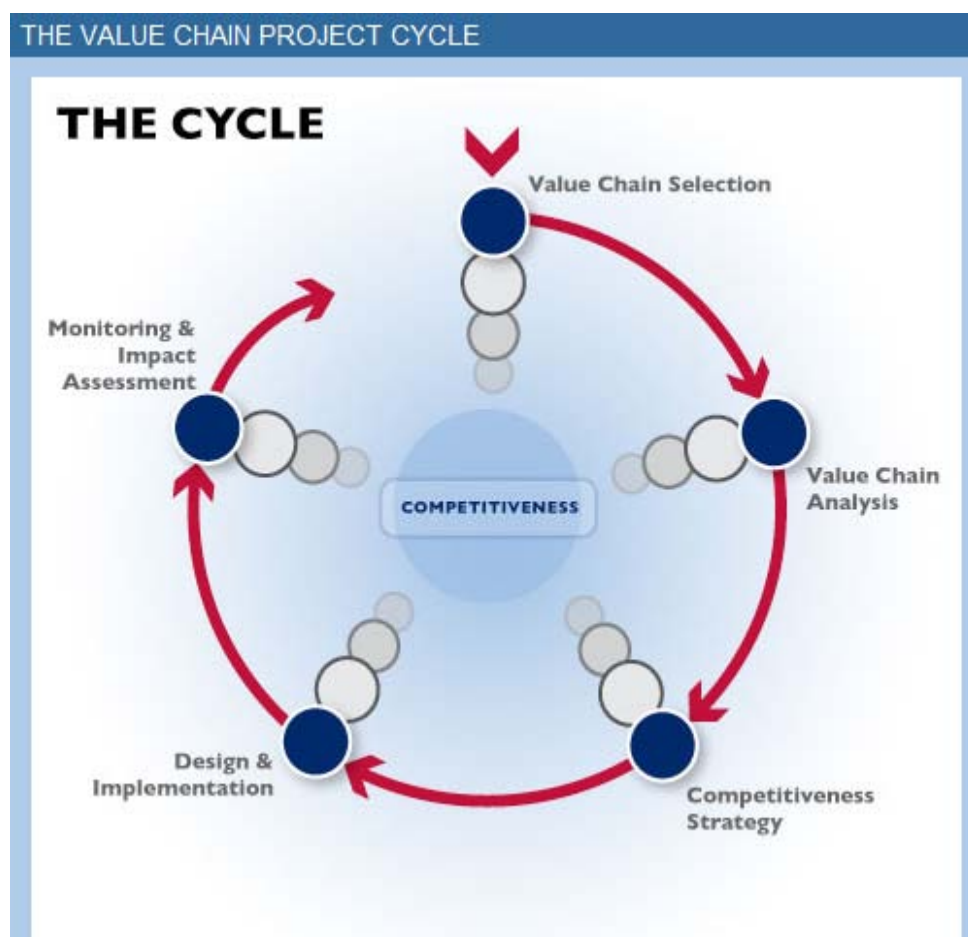
The value chain framework identifies the interactions among market players both within the core value chain and supporting service markets, opportunities for upgrading, and project intervention.

Challenges of Using a Value Chain Approach to Target Specific Populations

Using a value chain approach in developing countries as a methodology for poverty reduction can be particularly successful in terms of creating broad-based benefits to large populations. By analyzing the distribution of benefits to a specific group or area, the value chain approach provides a methodology into which social goals, such as ethnic or geographic reconciliation or livelihood creation and education for youth, can be incorporated. One of the most immediate challenges of applying the methodology to a target group is the issue of market distortion. In a true value chain approach, market signals would dictate program activities, but when goals outside the economic realm are added, market signals risk distortion. For instance, in northern Uganda, the market has been skewed by the provision of seeds and other agricultural inputs by the aid community. Farmers no longer attach a monetary value to these inputs, and thus these attitudes have had a negative impact on commercial behavior. When crop prices are established, the cost of seed inputs is not taken into account.⁷ The issue of the placement and size of the subsidy, whether it be provided as a direct benefit (i.e. the provision of drying racks) versus the more indirect application of a subsidy through embedded services (i.e. developing relationships between producer and buyer groups) can provide its own unique challenges. With vulnerable groups, they often have immediate non-economic requirements, and the donor must carefully analyze the impact, timing,

⁷ Slane et al.

and sustainability of interventions. Additionally, targeting groups risk stigmatization, and project activities have the potential for creating counterproductive results. Working with vulnerable groups carries a secondary responsibility of ensuring that immediate needs are met and that social aims are addressed, at least in the short-term, through socially-based solutions. The use of multiple analytical tools such as a combination of social and economic assessments or situational analyses has shown to be effective in creating programmatic activities.



The Value Chain Project Cycle is a process for designing and implementing value chain development programs. The cycle comprises five phases: 1) value chain selection; 2) value chain analysis; 3) competitiveness strategy; 4) design and implementation; and 5) monitoring and evaluation. Source: www.microlinks.org.

Project Introductions and the Utility of Applying a Value Chain Framework

USAID-funded, Community-Based Orphan Child Protection and Empowerment (COPE) Project:

The COPE project, on which EMG is a subcontractor, is a five-year program aimed at reducing the socio-economic impact of HIV/AIDS on two million orphans and vulnerable children (OVC) and their care givers in Uganda, Rwanda, Mozambique and Tanzania. Project producers struggle to provide basic needs for their families, mainly as a result of a lack of market demand for their products.

COPE combines a value chain focus and market-based orientation, which helps to understand the broader economic context for household and enterprise activities. This shift towards a market-based orientation is unique in terms of altering the traditional structure of economic development assistance from direct provision to the facilitated delivery of support to targeted groups by assistance providers (NGOs, development institutions/programs).⁸

A market assessment of potential income generating activities (IGAs) was performed in selected districts in each of the target countries to determine potential products and revenue streams for introduction to OVC and caregivers. Interventions were developed in three major streams: microenterprise activities for caregivers of OVC, workforce development activities for out-of-school OVC, and capacity building for existing associations serving the needs of OVC and their caregivers. By grounding the products and services provided by OVC and their caregivers in a commercial approach, and in higher-growth value chains, the optimal result would be increased incomes and greater long-term financial stability.

USAID-funded, Stability, Peace and Reconciliation in Northern Uganda (SPRING) Project:

The goal of the three-year SPRING project is to mitigate the causes and consequences of conflict which displaced over two million people in northern Uganda by implementing activities in three core component areas: peace-building and reconciliation, economic security, and access to justice; with social inclusion as a cross-cutting component. SPRING aims to consolidate peace and strengthen northern Uganda's transition from relief to longer-term, sustainable development. To achieve these goals, the project leverages integrated interventions among the three project components in order to improve the overall enabling environment for socially inclusive economic growth.

SPRING takes a unique 'inclusive without being exclusive' approach to addressing the underlying economic constraints to stabilization, without explicitly targeting vulnerable groups such as youth, ex-combatants, or women. To create a stabilization-driven value chain approach, SPRING conducted an assessment of three sectors to determine the primary value chain and stabilization constraints affecting productivity in these sub-sectors. The methodology provided an innovative approach combining a 'bottom-up' analysis of specific communities' enabling environment focusing on triggers of potential conflict, as well as a 'top-down' value chain analysis that identified opportunities to link local production to multiple tiers of local and global markets. By implementing a socially inclusive value chain approach, SPRING is working to strengthen the regional economy and the integration of ethnic communities divided by war as a whole.

Nike Foundation 'Value Girls' Project: The 'Value Girls' Project is a three-year grant from the Nike Foundation whose objective is to develop, test, and document a replicable, scalable and sustainable model for economically empowering adolescent girls and young women using a value chain approach. The program works with girls aged 14 to 24 in the Lake Victoria region of western Kenya, and targets two types of beneficiaries: out-of school girls and young women, and in-school girls. The project facilitates value chain entry and strengthens value chain participation for out-of-school girls and young women while simultaneously preparing in-school girls for eventual integration into the formal economy.

⁸ Panlibuton and Kinyanjui.

In the first few months of the project, EMG conducted a girl-centered value chain assessment of the Tilapia, Omena and related value chains, for girls and young women living along the shores of Lake Victoria in five riparian districts: Kisumu, Busia, Bondo, Suba and Migori. The situation analysis examined the broader context in which the girls who may enter the program are living in order to characterize the socio-economic situation and current opportunities; identified local partners for potential collaboration; and informed the baseline study and the selection of appropriate program interventions.

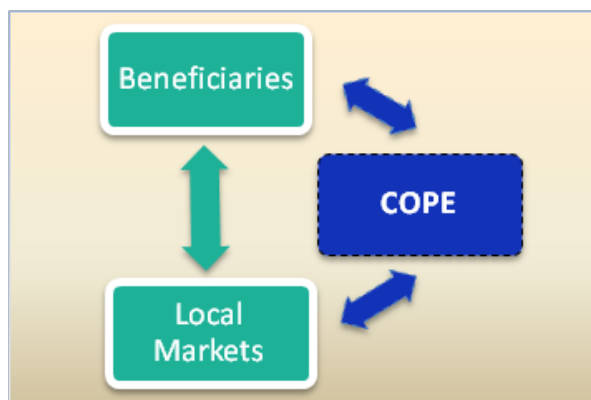
III. ANALYSIS: PROJECT EXAMPLES

USAID Community-Based Orphan Child Protection and Empowerment (COPE) Project: COPE began implementation in March 2005, and is now entering into its fourth year of project activities. While EMG’s efforts (as a subcontractor to Africare) have focused solely on increasing access to income generation opportunities to OVC and caregivers, there are four other strategic objectives: enhanced community capacity to coordinate care and support services for OVC and caregivers; enhanced life skills training, peer education and psychosocial care and support to OVC and their families; increased access to educational support services to OVC; increased access to health care and nutritional support to OVC.

As a starting point for the income generating (IG) program, EMG undertook a market analysis in each of the project’s geographic areas in order to assess local market conditions, the needs of OVC and their caregivers, and the various income generation activities that they were undertaking. Interventions were then developed in three major streams: microenterprise activities for caregivers of OVC, workforce development activities for out-of-school OVC, and capacity building for existing associations serving the needs of OVC and their caregivers. The market-based methodology revealed that individuals in the target group were not connected to value chains that reached beyond local markets, thereby limiting the market size and earning potential of the individuals. The finding indicated that grounding the products and services provided by OVC and their caregivers in a commercial approach, and in higher-growth value chains, would result in increased incomes and greater long-term financial stability.

The value chain approach combined with a market-based orientation equips caregivers with increased, more stable access to markets and profit-earning opportunities. The COPE project has made an effort, wherever possible, to use a model that differs from more conventional approaches of program-funded IGA, which might include direct provision of support to microenterprises, by focusing on playing a more facilitative role and phasing out support. The program is being implemented in four countries, and thus activities differ depending upon beneficiary needs and local markets. The similarities among the countries are the key tenets of the model, which include:

- **Evaluation of Beneficiary Needs** – The needs of caregivers, and ability to effectively participate in the market, differ depending upon country context and the stage of their household vulnerabilities.
- **Market Analysis** – A local market analysis is performed to garner an understanding of market realities and determine the most suitable market opportunities to serve as the program starting point.
- **Intervention Design** – Activities based upon the market analysis and beneficiary evaluation are designed to address needs and leverage market opportunities.



Over time, the tripartite dynamic between COPE, program participants, and local markets evolves to include only the participants and local markets.

COPE works with caregivers who were identified by the project during the initial target identification phase. The project identifies opportunities to link caregivers with lead firms within high-growth industries in order to increase access to new markets, upgrade market knowledge and technical and business skills, create economies of scale, and limit the amount of market risk. A tailored curriculum to strengthen caregiver groups and train them to manage their enterprises was developed and is provided to upgrade skills. To date a total of 2,295 caregivers that are supporting 9,439 OVC have been trained and organized into producer groups.

One concrete example of the project's focus on moving caregivers into higher return segments of a value chain involves the move from raw fruit to dried fruit. In Uganda, EMG developed a partnership between a dried fruit export firm and 800 caregivers who in turn support more than 2,000 OVC. In addition to organizing the caregivers and providing training, all caregivers were required to participate in a savings program which created additional buy-in and fortified commitment to participation. The export company provided tailored training in fruit drying, and provided solar dryers that were purchased through a cost share agreement between the company, the project, and the caregivers. Real results have been seen since the partnership commenced in 2007; the caregivers have produced 6,024 kgs of dried fruit, receiving earnings of more than \$8,950 in sales. Caregivers receive follow up and additional technical support from the company. The benefits run two ways: the caregivers develop valuable business skills and an understanding of market dynamics, while the export company has created linkages with additional suppliers with current, relevant product and market knowledge through a low-risk investment. The relationships have also served the donor; the investment made by USAID was leveraged by the contributions of the export company, resulting in lasting benefits, and a replicable partnership model.

The partnership, while in the end successful, provided the project with challenges and learning opportunities.

- Group formation took time and the project had to struggle with the time required in forming these dynamics with reporting requirements and anticipated results.
- Lead firms are profit-focused entities and relationships must be built with an understanding of these priorities in mind. Lead firms must also be willing to integrate microenterprises into their business model.
- Producer groups formed to address caregiver needs can be replicated to support the financial and social deficits of other populations.
- Targeting of caregivers and OVC may cause conflict with other non-project beneficiaries.

Lessons were learned from other project initiatives as well. In Rwanda, the project instituted a highly successful pilot program, facilitating links between caregivers who weave baskets and a Rwandan exporter who in turn sells the baskets to a US-based department store. Caregivers become master weavers and successful sellers before expanding the programming, as COPE has found that this is one of the most powerful marketing sources to create interest and buy-in among other caregivers. Group formation is proving to be a powerful catalyst in providing the desired quality and quantity of products as they work together to deliver products as a group.

The COPE team discovered that trained groups require close follow-up in order to ensure consistent access to materials and resources, and that delays in project funding do not serve as a production constraint. As mentioned above, one of the largest issues faced by COPE in Rwanda, and which has also provided a significant challenge in Tanzania, has been subsidization. Implementing a market-based approach in an environment where many donors have provided free inputs (paying school fees or providing school supplies) over a long period of time has caused confusion and a lack of buy-in from program participants in terms of understanding the differences in approaches, and creating unwillingness to pay for services. In Mozambique, COPE has focused on developing IGA such as vegetable growing and animal husbandry and selling to close urban markets. Challenges have been faced in terms of the distance between producers and the end market, making transportation costs extremely high.

Key Observations

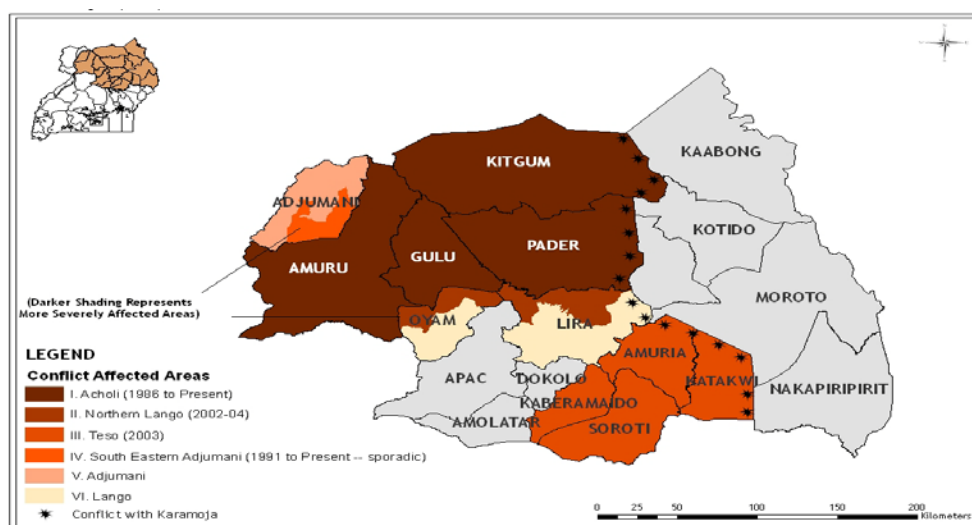
The COPE project's comprehensive design addresses the full range of program participants needs, providing an important safety net for participants, and allowing the income generation component the

“breathing room” to apply a market-based approach without subjecting already highly vulnerable populations to the full risks of the market. Thus, for example, groups of caregivers who are not self-sufficient and continue to request project assistance (such as for dispute resolution) after a long period of time, are considered a non-viable producer group in the market environment. The project has allowed such groups to fail or fall apart. However, with a safety net in place from other parts of the COPE program, i.e. health services, education support, etc., the negative impact on OVC of allowing enterprise failure to occur is mitigated. On the other hand, the spillover impact of subsidies from the social services side of programming are often felt on the more commercial side of the program as participants receive mixed signals about free goods and services. Therefore, using a market-based approach to target HIV/AIDS-affected communities poses a range of challenges and requires constant analysis and balancing of methodology and impact.

USAID Stability, Peace and Reconciliation in Northern Uganda (SPRING) Project: The SPRING project commenced operations in January 2008, with the overall objective of promoting regional stability by addressing the causes and consequences of violent conflict (USAID Strategic Objective 9: More Peaceful Environment and Improved Governance). After 20 years of war, which was seeded in the Lord’s Resistance Army (LRA) movement of 1986, the vast majority of the Acholi and Langi population were left vulnerable and impoverished, with effects of the conflict being felt throughout the northern region of Uganda. In 2006, a Cessation of Hostilities Agreement was signed creating the first tentative signs of peace in a region ravaged by conflict. Three major issues soon arose from the détente. First, two significant groups have begun to return to their ancestral lands: internally-displaced persons (IDPs) and ex-combatants. The return of both groups is straining already scarce resources, in particular, land. Land is perhaps the most important production asset available to these groups, and disputes over land ownership rights are putting pressure on the official and traditional justice systems. Second, these strains on the judicial systems are further accentuated by the long-standing tensions and fears that have developed between the ex-combatants and IDPs, and which now threaten reconciliation. Third, the lack of economic opportunities – especially for specific groups such as the young who have missed out on many years of education, ex-combatants who have not been engaged in meaningful economic activities, and women – coalesce to add an additional layer of fragility to the peace process. The Survey of War Affected Youth report commissioned by UNICEF concluded that the most substantial barrier to social inclusion and civic participation among ex-combatants and former abductees was not psycho-social wounds, or lack of community acceptance, but a lack of education and economic opportunity.⁹ The SPRING project attempts to tackle both at once through an inclusive approach as to not aggravate tensions between ex-combatant and non-combatant groups and is implemented through a conflict-sensitive lens.

⁹ Annan et al.

Conflict Affected Areas



SPRING is unique in its mandate to bridge the gap between relief and development. One aspect that is frequently overlooked in a pure relief approach is the inclusive nature of war, and that all youth have been affected, and not just targeted groups such as ex-combatants, formerly abducted, orphans, child head of households, or young mothers. Through explicit targeting, reintegration efforts may not be successful and may further stigmatize the exact populations that need to be reintegrated into the community as civilian, non ex-combatants may feel resentful for the provision of funding to these previously harmful populations, when in reality, almost everyone in the region has legitimate needs. To address this, SPRING focuses on the development potential instead of demographics, while also realizing that without creating economic opportunities for particularly vulnerable groups, peace can easily disintegrate.¹⁰

Stabilization Driven Value Chain Programming

¹⁰ Slane et al.

SPRING has faced three major challenges in its first year of implementation. The first has been working to change the mindset of implementing partners to combat the dependency culture of 22 years of humanitarian assistance. Most local groups are not accustomed to investing their own resources and have few ideas on how to leverage grant funds. The second challenge has been finding local partners with expertise in two or three of SPRING’s programmatic areas. SPRING has had to adjust by combining separate component activities of different projects and implementing partners. The final challenge has been the short timeframe under which SPRING is working. As a three-year project, significant time has been absorbed conducting the first-year conflict, geographic and value chain assessments leading to a short overall implementation period with little time to measure results. The effectiveness of SPRING’s approach has yet to be determined as the project is only completing its first year of implementation. Its integrated approach, however, is an important development in stabilization programming as it aims to bring concrete peace dividends to communities while concurrently addressing the major enabling environment issues constraining the transition from relief to development.

To address the delicate post-conflict environment and a need to analyze the constraints of SPRING’s three primary sub-sectors of maize, rice, and groundnuts, a Stabilization-Driven Value Chain Assessment (SDVCA) was performed in order to more specifically target project activities. This did not put an explicit lens over the assessment, in terms of women, youth, ex-combatants and target these groups specifically, but instead focused on identifying activities that had the potential to cause or reignite conflict, or conversely, the potential to ease tensions. Given that the major threats to stability were identified as: land conflict, physical insecurity, integration of vulnerable groups (ex-combatants and youth), domestic violence, tribal tensions and political divides; project interventions needed to focus on collaboration, dialogue, and working with individuals willing to cross ethnic and tribal lines. Labor intensive sectors were seen as having greater stabilization potential as they not only create many jobs, but would require large amounts of laborers and time, thereby reducing the amount of idleness, and potential to reignite conflict. When selecting specific sub-sectors, criteria was developed and weighted to appropriately include specific indicators that would have direct impact on the causes and consequences of conflict as well as integrate vulnerable populations. For instance, a weight of 20 percent and 30 percent, respectively, were given to sub-sectors that met SPRING’s definition of social inclusion and stability impact. Sub-sectors that had a low barrier to entry and contributed to general food security needs were considered to be socially inclusive, while sub-sectors that were considered labor intensive and allowed for inter-community cooperation were evaluated highly for stability impact. The value chain assessment was carried out by subject matter experts – both conflict and sub-sector specific – who met with conflict actors including national and local politicians, traditional leaders, elders, police and local courts as well as traditional sub-sector actors.¹¹ Some of the specific issues that were faced during the stabilization-driven assessment are discussed below.

STABILIZATION-DRIVEN VALUE CHAIN ASSESSMENT SELECTION CRITERIA

Criteria & Weight	Definition
Profitability (20%)	Gross margin per acre
End Market (20%)	Current and future demand Regional, National and International demand
Geographic Spread (5%)	Prominence in SPRING Sub-counties
Value-Addition (5%)	Potential for value addition
Social Inclusion (20%)	Low cost of inputs (barriers to entry) and contribution to food security
Stability Impact (30%)	Labor intensity and inter-community cooperation

¹¹ Slane et al, p.8.

Inter-firm Cooperation and Competition

Inter-firm cooperation and competition refers to ways in which firms associate in order to increase industry competitiveness while also acting as direct competitors. This includes horizontal and vertical linkages, and their associated power relationships and flows of benefits. Inter-firm cooperation and competition accounts for the negative or positive benefits of the power dynamics, and access both to relationships and market information. A comprehensive understanding of the relationships between the target and non-target groups, their interactions and power dynamics is critical for successful value chain facilitation.

Given the fragile post-conflict environment, SPRING looks to identify ways in which to increase economic and other cooperation between the formerly estranged groups. The assessment thus needed to identify geographic and industry areas where trust had been restored or where it was particularly fragile, noting nuances along the continuum in order to target interventions that would increase regional stability through increased trust and cooperation.

During the assessment a number of producer associations were identified, which provided examples of how to organize farmers for their mutual benefit, through an inclusive approach. A number of regional associations have been organized around the production of cash crops, including dairy and cotton, as well as village-based microfinance. Many of the farmer groups contain members of vulnerable populations and marginalization of the groups tends to occur not in group formation, but in access to land or social stigmatization. SPRING has also found that there are substantial opportunities for formation of additional farmer groups.

Generally, it was found that there was very little if any horizontal cooperation among firms or producer groups in northern Uganda. The majority of linkages created amongst farmer groups were formed as a result of the intervention of humanitarian and relief agencies. Therefore, SPRING aims to promote horizontal relationships across ethnic borders, specifically along the Acholi-Lango border, by facilitating collective marketing and agricultural study visits. Vertical linkages were found to be extremely inefficient, comprised of many small and regional traders selling to larger brokers who then interact with produce traders and firms in Kampala and Jinja. The conflict halted many of the processing activities in the north, and therefore few producer-processor linkages exist.

Market Access and End Market Competitiveness

End market competitiveness incorporates aspects such as identification of key buyers in a value chain. In terms of dynamics, these relationships are particularly important to understand since they will dictate the terms under which a seller is interlinked with the global economy. End market demand covers the nuances of the buying function, supply chain management, and a thorough understanding of products and product segments. Firms able to control the power dynamics through supplier and information access are able to extract a greater share of benefits vis-à-vis other producers and suppliers throughout the value chain.

In northern Uganda, agricultural market channels are dominated by small and medium buyers which provide market access to isolated communities. There is a mutual trust deficit between the buyers and sellers, with each group accusing the other of wrongdoing. Sellers accuse buyers of faulty sales scales which under-represent actual weights sold, while buyers accuse sellers of marketing a low quality product but demanding premium pricing. Greater education is needed for both parties in terms of market-driven pricing, but once again the tensions between former opposition groups who are now reliant upon one another remains tenuous.

Southern Sudan has the greatest market potential for rice, maize, and groundnuts; however it is still a risky proposition for many. While northern Uganda is strategically positioned to serve this market, there are many constraints associated with trade in the region. For instance, the government of Sudan considers

bilateral trade a threat, there are unclear taxation policies, issues of trader's physical security (including attacks, extortion, loss of goods), and low levels of organized marketing by Ugandan farmers.

Firm-Level Upgrading

Firm-level upgrading incorporates four key upgrading techniques which are derived from a focus on core competencies: Process Upgrading (efficiency of internal processes or between links); Product Upgrading (introduce new/improved products fastest); Functional Upgrading (increase value added by changing mix of activities conducted within firm in same value chain); Chain Upgrading (moving to a new value chain with more value addition).¹² The goal of upgrading is to increase efficiency and access to higher value-added markets resulting in increased revenues and incomes. Successful upgrading is highly dependent upon clear market information, and integral to long-term competitiveness.

During sub-sector selection, SPRING focused on dual use food crops that had the potential to generate a surplus and generate commercial activity, while also lending to food security, which somewhat limited the potential for immediate value-added activities. Some of the greatest potential for upgrading was seen in on-farm processing. For example, groundnuts can be shelled and ground into Ebinyeebwa and butter, maize can be milled into flours, and rice can be milled into polished rice with different by-products including rice bran and broken rice. The major constraints here are the lack of information of processing equipment and the lack of access to finance for purchasing of relatively low cost hand shellers and grinders.

SPRING needed to take into account the potential destabilization effects of programmatic decisions, particularly in terms of supporting farming interventions that were not focused around collective activity. For example, given the high crop prices in southern Sudan, if farmers were to emphasize commercial production over consumptive production, there is potential to add to food insecurity and fuel pre-existing social problems including domestic violence. In addition, upgrading activities that do revolve around pooling resources around common infrastructure may lead to conflicts arising around ownership and control. In order to identify appropriate activities, engagement with farmer groups should focus on dialogue and opportunities for collaboration, particularly between commercial and small-scale farmers. This allows both parties to invest in upgrading opportunities such as bulking, storage, input purchases, and land opening.¹³

Enabling Environment

The enabling environment has recently surfaced as one of the critical components of conflict/post-conflict programming, and influence on success. A thorough analysis of this environment is frequently overlooked and important issues such as government communications and engagement, the presence or absence of policies, and infrastructure limitations need to be taken into account.¹⁴

During the SDVCA, critical issues were identified that could have potentially destabilizing effects if they are to remain unsolved. Youth continue to serve as an unstable population that could threaten the prospect for peace if they are not soon incorporated into value chain activity. Many are reluctant to leave the camps, which themselves do not have many opportunities for income generation. The dearth of opportunities stems from a lack of land and access to land, as well as a reliance on donor handouts which has been fostered over a 20 year period. Recently, some Acholi have been able to resume working their

¹² Kaplinsky and Morris, p. 37-38.

¹³ Slane et al.

¹⁴ Parker, p.2.

land, but this is restricted to those whose land is close enough to a transition site or IDP camp to walk back and forth to each day during daylight hours. The strains over unresolved land ownership disputes have negatively impacted the stabilization process by not only continuing to serve as a security issue, but also limiting land available for agricultural production.

Compounding these issues is the general physical insecurity that is felt as a result of petty crime and theft, the prevalence of domestic and gender violence, and the fear of the return of the LRA. Albeit reduced, tensions and prejudice exist between the Langi and Acholi tribes as many Langi blame their northern neighbors for the LRA conflict. Further exacerbating the enabling environment is the historical marginalization and weak national identity in the north. From the colonial period there has existed a north-side divide which has resulted in limited economic development and government investment in regions north of the River Nile.

Key Observations

As SPRING strives to create economic incentives for peace, some important conclusions have been realized. First, an inclusive approach is critical in mitigating stigmatization. SPRING will utilize an inclusive approach that focuses on monitoring and not targeting of these groups. The inclusive nature of this approach is especially critical under post-conflict settings, given the risks that stigmatization carry under these circumstances, including regional destabilization and the return to ethnic conflict and war. Second, the importance of including subject matter experts and tailoring project assessment tools to include non-economic considerations was also deemed crucial to understanding the underlying causes of conflict, and thus, designing appropriate program activities. Finally, establishing trust between formal rival groups (the Acholi and other tribal groups), as well as with the Government of Uganda is important to maintaining peace and creating widespread economic benefits.

Nike Foundation ‘Value Girls’ Project: The ‘Value Girls’ project began in June 2008 with the objective of developing, testing, and documenting a replicable, scalable and sustainable model for economically empowering adolescent girls and young women. The project is unique in that it tests the idea that the value chain approach to economic growth and a market-based orientation to livelihoods programs can be successfully applied to a target population, adolescent girls and young women. This concept challenges two of the key principles employed by other value chain projects: one, to address market constraints, work with the most appropriate market actors whoever they may be; two, avoid direct subsidization of inputs. They should be market-driven, with a limited use of free resources. The objective is to strengthen girls’ capacity to effectively participate in the value chains in which they are currently embedded, and incorporate them into appropriate value chains as new chains are identified.

The ‘Value Girls’ project aims to reach a minimum of 500 in-school and 2,500 out-of-school girls, and provide training in life skills, financial literacy and business management (for both in-school and out-of-school) and technical skills (for those engaged in the value chains). Thirty girls’ economic empowerment groups will be formed, registered, and will receive training in organizational/governance issues, business management, technical skills, financial literacy and savings/credit management, banking and savings. Additional program goals include:

- The formal participation of at least 15 girls’ groups in value chains through commercially viable arrangements;
- The acquisition of ID cards for all participants;
- The development of a safe and appropriate savings arrangement for the majority of girls participating in the program.

The project team realized that incorporating girls as the focus of value chain activities would require refinement of a typical value chain approach model. Girls groups would require more support across a range of areas than might normally be provided through a pure value chain program, and given their marginalization in society, a number of training activities would be needed to prepare them for entry into the market. Another modification to the traditional value chain approach is the need to holistically integrate girls' voices directly into program design, implementation, and monitoring and evaluation (M&E) structures. In order to strengthen their role in society and in the marketplace, females need to be included not only as participants but as recruiters, trainers, role models, communicators, mentors, leaders, advisors and evaluators.

As a first step in the project, the project undertook a girl-centered value chain assessment of the Tilapia, Omena, and related value chains, as well as a situation analysis of the socio-cultural context and current economic opportunities for girls and young women living along the shores of Lake Victoria. Value chain projects would normally begin with a study or a validation of the value chain in question, including an analysis of market dynamics, horizontal and vertical linkages, pricing, value addition, and production constraints. In the case of the 'Value Girls' project, it was clear that an assessment was needed that put the target group at the center of all the findings.

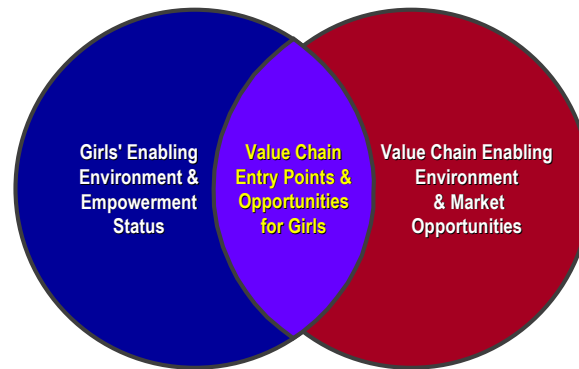
Therefore, the girl-centered value chain assessment and situation analysis (VCA/SA) included a number of traditional and non-traditional objectives, which included an understanding of:

- The market actors, commercial incentives, and transactional relationships within the system. In particular, the value chain assessment would be conducted through the lens of girls and young women to determine the applicability of the value chain to their situations; reveal why girls and young women have not taken up core market functions; identify any barriers or opportunities to entry; identify the relative competitive advantages for integrating adolescent girls and young women into the Lake Victoria fish and related value chains.
- The current context and situation of adolescent girls and young women in the target regions. The primary objectives of this situation analysis were to assess the social, physical and educational challenges faced by girls and young women; identify a minimum package of social, health and other services and interventions to be provided to girls participating in the program; identify incentives or constraints to their participation in the high return segments of the Lake Victoria fish chains compared to other income opportunities in western Kenya.

The VCA/SA was also used to inform the program design and interventions (including logical frameworks and causal models), identify roles for local partners, and inform M&E plans and the identification of baseline and other indicators.

The figure below depicts the three main formative research areas. Special emphasis was placed on the overlapping domain of value chain entry points and opportunities for girls and young women.

Girl-Centered Value Chain Assessment and Situation Analysis: Formative Research Areas



The VCA/SA involved a detailed analysis to understand the characteristics and inefficiencies in the Tilapia and Omena value chains, including a break-down of market functions as well as the costs of production from inputs of raw materials to final marketing of finished goods. The value chain framework was applied to develop a clear understanding of the industry system, with particular examination of the end market, vertical and horizontal inter-relationships, support markets, enabling environment, and firm-level upgrading. The assessment simultaneously sought information from key associations, organizations, social networks (both regional and sectoral), social support service providers, girls, and girls' gatekeepers to characterize the socio-economic situation while identifying potential partners for collaboration. Examination of relational dynamics and the spatial dimension of activities were undertaken, including local issues of production, trading, processing, selling, group formation (where, when, how often groups meet), as well as related issues of safety of movement for girls, including the costs in terms of time and money.

Methodology

The VCA/SA was undertaken by a team of local experts assisted by EMG advisors from Kenya and abroad. In order to gather the information required, EMG assembled a consultant team that included two different types of experts: first, traditional value chain and industry experts for Omena and Tilapia fish; second, experts in girls programming/gender specialists to look at the situation of the girls in the region. Given the differing perspectives of the experts, it was important to create group cohesion around the shared goal of the research. EMG held team briefings in order to convey the critical importance of both sides of the study. It was important for the experts to understand the equal validity of the girls' perspective as well as market dynamics.

Tools

Data collection tools included in-depth interview questionnaires with key actors in the value chain and focus group guidelines for girls, parents and teachers. The team worked together to tailor research tools. To start, the standard interview guideline for a value chain assessment of Omena and Tilapia required the application of a girls' lens. This required the addition of a set of questions for each of the traditional audiences related to their perceptions of girls' participation in the value chain and consideration of the various factors and barriers that might impact them. Market actors such as industrial fish processors, agents, artisanal fish processors, animal feed processors and exporters, retail traders, vendors, transporters, pond and cage culture fish farmers, fishermen, boat owners, financial sector service providers, and input suppliers were interviewed to ascertain their views, attitudes, and experiences of working with young women. In addition to value chain players, non-market actors were included in the assessment. Girls' perspectives were incorporated in the evaluation from the outset, not only as

informants but also as participants in the assessment process. Girls’ “gatekeepers” were consulted such as the boys and men in their lives, parents and teachers. Finally, interviews were conducted with government and non-governmental organizations (NGOs) serving girls.

Findings

Findings from the analysis were used to examine the structure and dynamics of the value chain, and identify constraints as well as opportunities for growth. The critical importance of adding the lens of the specific target group to a traditional value chain assessment became immediately apparent when the findings were assembled.

Situation Assessment

The assessment uncovered significant barriers specific to girls, which were great enough to require a revision of program objectives. While a pure market-driven analysis of the value chains would have revealed substantial IG opportunities from record high Omena prices, the situation analysis 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. The well-known practice in the region of Jaboya, trading sex for access to fish, illuminated the dangers of incorporating additional girls into the value chain. The situation assessment report stated that it is “neither easy nor viable to effectively involve the target group in either the Omena or Tilapia value chain without causing additional harm and increasing risks to them...” As a result, the program shifted its focus away from introducing new girls into these value chains, due to the serious safety and health concerns, and instead the program has decided to strengthen the capacity, negotiation skills and bargaining power of girls already working in these chains. This will provide empowerment to those girls already integrated into the chain, better the terms of participation, and provide them with options for moving into alternative economic activities.

The girl-centered value chain assessment alerted the team to another issue in moving forward with program design and implementation. Some of the girls and boys interviewed expressed concern over the idea that the program would focus solely on girls. The girls were concerned that boys would feel excluded or marginalized and might impede or even undermine their success. Therefore, an early lesson from working with a narrow target population was to be aware of jealousies or other stigmatizing attitudes that can be created by the program. While the program team did not reverse course and shift limited resources toward boys, the project team did identify actions to address the concerns. First, the project is seeking complementary funding and/or partnerships with other programs that focus on male youth. Second, the project will specifically monitor for problems or stigmatization the girls might experience from males. Third, resources have been allocated to deal with specific challenges the girls might face as a result of the targeted approach. For example, if girls have trouble attending meetings because brothers impede their attendance out of jealousy, the project will expend resources to deal with that very specific case.

Value Chain Assessment

Specific technical findings related to the value chain analysis point to the need to engage girls on three levels. Overall, there are significant barriers for incorporating new girls into the main activities in the Omena and Tilapia value chains. There are, however, a number of existing functions in which young women participate as key market actors. These areas offer opportunities for program interventions, and focus on strengthening the girls’ ability to effectively participate in the sector. Project activities may increase the ability of girls to navigate through a particularly rough market environment or help girls to professionalize their service offerings, resulting in increased economic empowerment. For example, young women in the target group are currently involved in local market processing, wholesaling, and retailing. These young women suffer from a lack of organization, low negotiating power and skills, limited access to credit, and limited technical and other training. Working with young women who are

currently operating within the value chain to increase their economic empowerment would allow the project to effectively target some of the most vulnerable girls in the country.

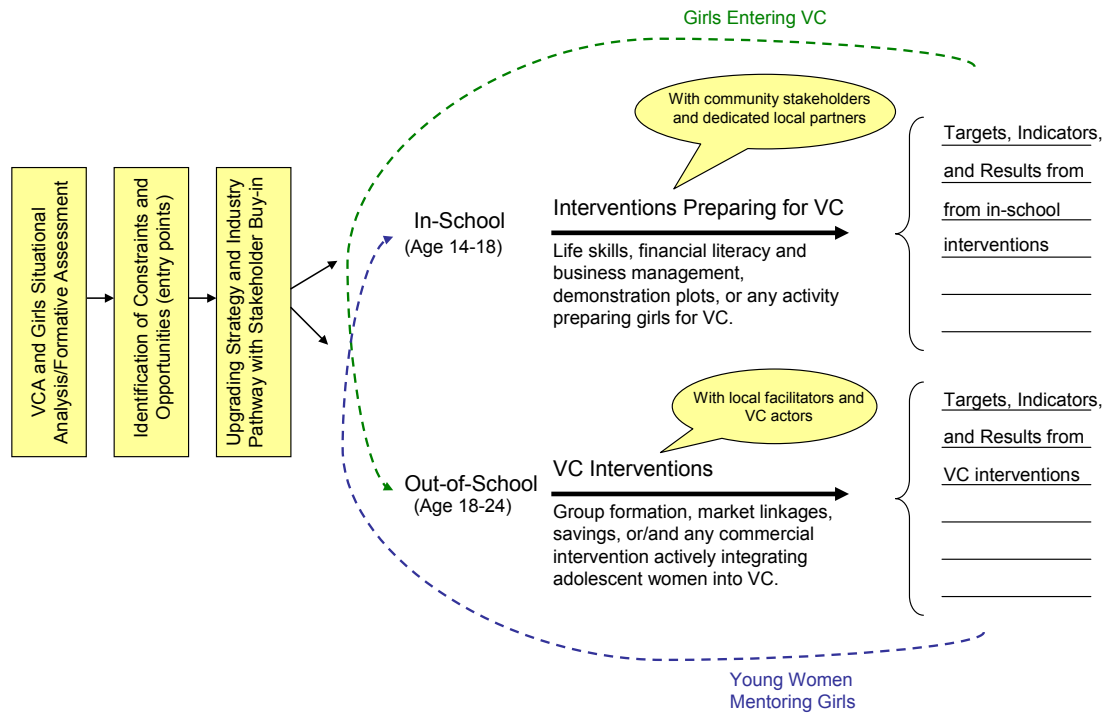
Other fish sector activities such as Tilapia cage farming, cage production and manufacturing, distribution, and retail of fish feed provide an opportunity for girls' to add value to an important growing activity. Diversification of fishing activities into areas with aquaculture potential can significantly generate incomes through alternative, sustainable, low-cost family and community initiatives which can also be extended to girls. Given the overall decline in catch this past year, pond farming and cage farming represent an important alternative supply of fish. These activities show great promise for pilot projects with an experimental population of girls. Aquaculture has increasingly spread to parts of North Rift, Central and Eastern provinces, which initially were not fish growing areas, reflecting the versatility and potential of it as an IGA. Additionally, compared to pond farming, the use of cages requires relatively low capital investment and offers flexibility in management.

Additional value chains were explored and opportunities uncovered for girls to participate in a number of horticulture and small livestock market linkages, with both yearlong and off-season activities. Provided girls and young women have access to land, these sectors may be explored as complementary revenue streams to the fisheries industry, particularly during periods of fishing ban as well as low catch.

Upgrading Strategy

The findings of the VCA/SA were used to work together with key stakeholders and market actors (particularly girls and young women), to collectively develop an upgrading strategy, aimed at creating opportunities for girls and young women along the value chain. The strategy will develop a clear pathway, linking the vision and benchmarks with clear indicators along a path towards a productive and competitive value chain. The pathway will establish a two-tiered approach targeting both in-school girls and out-of-school young women. In-school girls will receive practical business management, entrepreneurship, and life-skills training from dedicated local partners and community stakeholders. Demonstration plots, mentoring, apprenticeships, and other commercially-minded interventions will also be applied to expose girls to the necessary business concepts in order to succeed.

Value Chains Working for Girls: A Two-Tiered Approach



The green dotted arrows illustrate the economic integration of girls into the value chain as they finish schooling, while the blue dotted arrows represent the role young women who have successfully integrated into the targeted value chains as mentors and role models for in-school girls.

Key Observations

The addition of a girls lens to the value chain assessment was found to be critical to program design and activities. The analysis of the value chains with and without the lens resulted in two entirely different outcomes. Without the lens, the value chains demonstrated clear opportunities for upgrading. When the girls' lens was applied to the analysis, girls' integration actually reflected serious dangers to their health and security, forcing the project team to explore alternative activities for economic empowerment. The situation analysis, performed in order to understand the socio-cultural context of the girls' world, revealed potentially destabilizing forces in the stigmatization of boys. This analysis resulted in the creation of parallel or complementary strategies to reach the boy populations. The integrated analysis revealed critical issues, both social and economic, which substantially impacted the original project design. Flexibility in the implementation and design of programmatic activities has allowed the project the space needed to adapt to local circumstances while continuing along a path to meet original objectives.

IV. CONCLUSIONS: THE EARLY LESSONS

A few early lessons and common themes have emerged from the projects and the attempt to balance a market-based approach while simultaneously focusing on specific subsets of the population that have unique needs. It is important to keep in mind that the three highlighted projects are in the early stages of implementation and that both analysis and strategy will progress over time.

Utilize an Integrated Approach

When applying a value chain focus and market-based orientation to affect vulnerable populations, these strategies are being used in order to strengthen the groups economically. While strengthening them economically is an important goal to improving their well being, it is important to keep in mind that in most cases, vulnerable populations, by definition, have been affected or impacted by various social issues: war, disease, cultural differences, etc. This means that any effective solution must provide a counterbalance to these influences, and incorporate the social dimensions. The root causes of the vulnerability must be clearly identified so that appropriate interventions can be designed with this background in mind. Market-driven approaches should be used as just one of many tools available for a project to draw upon. For instance, if an individual has HIV or AIDS is involved in a successful economic strengthening program, but does not have access to healthcare and treatment, investments in their enterprise development may be distributed by illness and any multiplier effect stunted.

Industry trends suggest that projects with social orientations are endeavoring to strengthen or integrate economic strengthening components using a market-based orientation to develop sustainable impact. While much still needs to be done in this area, economic growth projects must, in that same vein, take a holistic view of the causes and consequences of social issues affecting vulnerable populations in order to design integrated programs.

Recognize that a Value Approach Takes Time to Demonstrate Results

By nature, value chains are complex, multi-faceted, require a large degree of facilitation and experimentation and take time to recognize results. Many dimensions are at play including the development of horizontal and vertical relationships, production cycles, experimentation, and trust building. Activities that are required to ensure sustainability – careful market analysis, flexible intervention design, relationship building – need time to run their course and can take multiple years to see concrete evidence of success. For example, the development of reliable, productive inter-firm horizontal and vertical linkages will come as a result of mutual trust which is established when both transactional parties experience tangible benefits. The long time investment required must be balanced carefully with the vulnerable cycles of the affected populations and with client reporting requirements, which are discussed in more detail below.

Successful value chain focused projects often adopt a phased approach focused to mitigate risk and to pilot interventions before scale-up. During the COPE project, a lead firm willing to include the caregivers in their supply base was identified. An initial population of 100 caregivers was organized, trained on quality control and linked to the lead firm. Once this was successful, the intervention was scaled-up to include additional caregivers. The time required to pilot this activity took more than a year, and had to be discussed in detail with stakeholders who preferred a short-term approach. A phased approach might be most appropriate to test strategies before scaling them up. In addition, value chain best practices should not be neglected but rather enhanced by addressing specific, immediate vulnerabilities faced by the various populations. For example, in post-conflict environments, conflict-based issues such as land or inter-ethnic conflict need to be analyzed in terms of understanding the effects on market dynamics.

Balance Accountability Requirements, Short-Term Needs, and Sustainability

Programming objectives, activities and results need to be reconciled as early as possible and appropriate interventions designed. In terms of project design, this requires a thorough understanding of the phases along the relief to development continuum and the corresponding beneficiary needs, capabilities, project activities, indicators, and objectives. For example, when targeting vulnerable groups, the project design may incorporate the use of the value chain approach with a focus on long-term sustainable impact in a post-conflict setting. This may be coupled with reporting requirements that focus on reaching large numbers of beneficiaries quickly. The result is that project implementers must balance competing objectives. On COPE for example, similar competing objectives were reached by achieving short-term goals through the social component of the program, and the long-term needs through the economic strengthening component. While this approach had certain challenges, it allowed the program to balance competing objectives with accountability requirements. In new programs, these short-term and long-term objectives need to be reconciled during the design phase.

Additionally, results may be best achieved by first focusing on immediate market opportunities and penetrating local lower-value markets, and later moving to more rigorous value chain activities. The benefit of this approach is that it may increase trust between market players as well as generate buy-in, while maintaining a market-based orientation. Value chain projects tend to be most successful in stable environments, when infrastructure has been rebuilt and economic activity has had more time to organically regenerate.

There are situations in which a value chain approach is not the most strategic approach, and more relief-centered activities are what beneficiaries most need. A significant disparity between relief and development approaches is the level and role of subsidization. Relief efforts tend to be concentrated around addressing the immediate needs of high-risk populations while development programs that use the value chain methodology will require careful analysis of the donor and funding. With value chain programming, avoiding and minimizing market distortions are vital in meeting sustainability objectives. The role of the project and the application of funding must be carefully analyzed in each project activity and throughout the project life cycle. The aim is that the exit strategy is part of the entry strategy, and subsidization will detract from sustainability efforts.

Move Beyond Demographics

Oftentimes the aim of projects that target specific groups is overly simplified and is too narrowly aligned with demographics. Youth. Women. Individuals with HIV/AIDS. Ex-combatants. Frequently what is missed is a more comprehensive view of the spectrum of individuals that fall into these categories. Within each demographic, the needs may be varied in terms of the type of assistance needed to provide the biggest impact in that individual's life or the greatest chance of providing a sustainable solution. For example, with HIV/AIDS programming, the stage of disease must be taken into account. When economic dimensions are added as in micro enterprise development programs, business planning must integrate the phases of the disease, and potentially even death. Some projects mandate working with specific male or female groups and specific sectors, but the life phase, skills sets, and cultural practices must be taken into account when developing upgrading strategies.

Apply a Specific Lens to the Value Chain Analysis

When applying a value chain approach to target populations, it is critical that a specific lens be applied. During the design phase of the value chain assessment a subject matter expert should be included in the assessment design to ensure that appropriate factors are being taken into account. For example, when SPRING developed the stabilization-driven value chain assessment, a conflict specialist who is a full-time member of the project team, contributed to the design. It is important that the value chain analysis

includes a clear vision of who is to be reached and concentrates the focus on the particular target group. On the Nike Foundation Project, for example, if the value chain analysis was performed without a lens, the fish sector would reflect multiple opportunities for upgrading and intervention. But, when a girls lens was applied – with the assistance of a girls expert – an entirely different story was told and very few possibilities for this population to be successfully incorporated into this chain were found.

Weigh the Costs and Benefits of Targeting

When designing projects affecting vulnerable groups, a cost benefit analysis should be performed in order to clearly understand the risks and benefits of targeting such populations. One on hand, assistance is being provided to those who need it, and targeting can be very effective in ensuring resources make their way to specific groups. On the other hand, targeting carries significant risks of stigmatization. This issue surfaced in the SPRING Project where ex-combatants face the potential of stigmatization by non-combatants if the project were to explicitly target funding to ex-combatants. Jealousy and resentment would be natural reactions, especially given a former combatant's role in the conflict. Given the project objectives of stabilization, SPRING has chosen to take an 'inclusive without being exclusive' approach. In reality, all in the region have been affected by the war, not only the targeted groups. Some of the groups may be more vulnerable, and others may be more at risk of reigniting conflict, but the community as a whole requires assistance and SPRING will be focusing on demonstrated need of the population. Both COPE and Nike Foundation, on the other hand, use explicit targeting as required by the donor, and on these projects the impact is not yet known.

By incorporating a broader approach to targeting, there is the potential for broader impact in two key ways. First, a wider approach might reduce the potential for stigmatization and counterproductive behavior. Second, by minimizing an explicit focus of funding to vulnerable groups, this opens up the possibility that project resources might be applied to more immediate market opportunities with a greater potential to lift the community as a whole out of poverty; although funds may not be channeled as exclusively to target populations.

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