

June 17, 2014

Subject: Who are the direct beneficiaries of value chain facilitation activities?

During one of the breakout sessions on value chain approaches at the Feed the Future Forum, we had a lively conversation around who is considered a direct beneficiary of value chain facilitation activities. Based on that conversation, we thought it would be useful to provide a summary of key points to help avoid any confusion.

1. As stated in the FTF Indicator Handbook, the Implementing Mechanism indicator universe is **direct beneficiaries**

Implementing mechanisms should **only** report on direct beneficiaries of the activity. An individual or organization is a direct beneficiary if s/he/it comes into direct contact with the set of interventions (goods or services) provided by the activity.

2. Service delivery mechanisms

Individuals and organizations are often trained or otherwise assisted by an activity as part of the activity's service delivery strategy. These individuals or organizations then deliver services directly to others; they are the activity's service delivery mechanism. The individuals or organizations who deliver the services are considered direct beneficiaries, as are the individuals or organizations who receive the services from the individuals or organizations assisted by the activity. In the value chain facilitation activity example in Figure 1, the Secondary Contacts (e.g., small-holder farmers) receive services from the Primary Contacts (e.g., market actors such as input firms), which are assisted directly by the value chain implementing partner. Both Primary and Secondary Contacts of value chain facilitation activities are considered direct beneficiaries for implementing mechanism-level indicator reporting purposes.

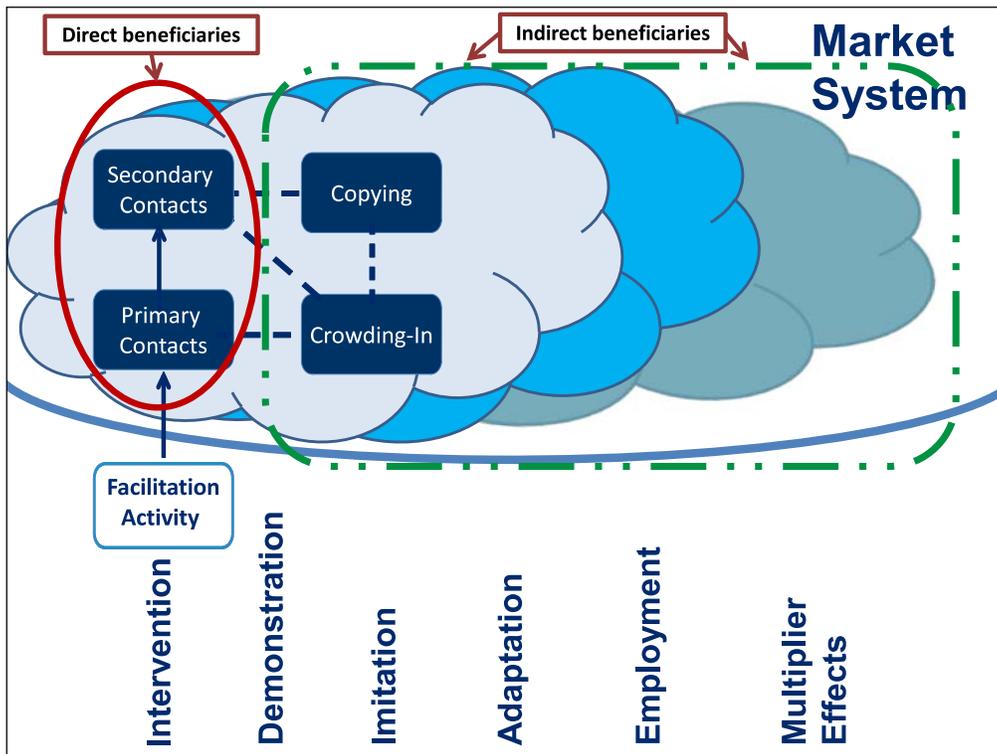
3. Indirect beneficiaries

**Currently, we do not track indirect beneficiaries within FTF monitoring.** An indirect beneficiary does not have direct contact with the activity but still benefits. An example of an indirect beneficiary is a neighbor who sees the results of the improved technologies applied by direct beneficiaries and decides to apply the technology herself (i.e. spill-over or diffusion). In the value chain facilitation example in Figure 1, everything to the right of the Primary and Secondary Contacts are considered indirect beneficiaries. **We are working on ways to capture results in this important indirect beneficiary universe, but do not yet have definitive guidance for you.**

4. Identifying direct beneficiaries when using a value chain facilitative approach

Identifying and tracking individuals reached through the activity's service delivery mechanisms can be challenging under a value chain facilitation activity, especially when services are delivered by private sector firms that may not have comprehensive customer lists or may not want to share the information. The Feed the Future Indicator Handbook provides some ideas on how to address this challenge.

Figure 1. Direct and indirect beneficiaries of facilitative value chain activities



Notes on Figure 1.

In Figure 1, a facilitation activity is shown on the left, occupying a relatively small area in the market system. Seven distinct groups represent the potential beneficiaries from value chain facilitation activities. These groups are described below in the same order as the “spaces” along the bottom of the figure, beginning with the “Intervention Space” on the far left.

The “Intervention Space” includes both **primary and secondary contacts**, both of which are considered direct beneficiaries under Feed the Future indicator guidelines.

The indirect beneficiaries of facilitative value chain approaches fall in several “spaces”.

In addition to targeting secondary contacts, another strategy for increasing scale under facilitation is to amplify demonstration effects that highlight the benefits of new business models and production technologies. Demonstration effects can elicit imitation from two groups of firms in the “Imitation Space”.

1. Crowding-in: Firms that “crowd in” by imitating the new, more inclusive business models that have been demonstrated by primary contacts. For example, agricultural input suppliers that imitate new types of commercial relationships with smallholder farmers but do not have primary contact with the intervention.
2. Copying: Firms that copy the new products and production technologies of secondary contacts at the target beneficiary level. For example, smallholder farmers who copy the new agricultural production technologies that have been demonstrated by smallholder farmers in the intervention space.

The “Adaptation Space” includes firms that innovate and adapt the original promoted practices, and other types of firms, especially firms in supporting markets, that enter in response to new economic opportunities created.

The “Employment Space” includes Individuals who receive income from jobs created by new economic activity within any of the five previous groups.

Finally, the “Multiplier Effects Space” includes firms or individuals that receive profits or income generated by the circulation of additional money in the local economy. The “new” money originates in the additional profits and income spent by all six of the previous groups. While the previous groups were all actors related to the agricultural value chain(s), the beneficiaries of multiplier effects include firms and individuals unrelated to the value chain(s), such as restaurants, hair salons, mobile phone dealers, clothing stores, grocery markets, repair shops, and so on. One general estimate for the agricultural multiplier in Sub-Saharan Africa is 1.5, meaning that for every \$1 of new income generated in agriculture, there will be an additional \$1.50 of income generated in the rural non-farm economy.