BRIEFING PAPER

PARTICIPATORY APPROACHES TO VALUE CHAIN DEVELOPMENT

INTRODUCTION

Significant stakeholder involvement in a value chain development initiative increases the likelihood of success and sustainability. With broad participation, solutions to value chain constraints are generally more appropriate to the local setting, and when stakeholders understand and take ownership of the value chain development process they are more likely to remain actively engaged beyond the life of the project.

The value chain approach necessitates consideration of all actors in a market system—the private-sector firms in the value chain from input supply through to end market retailers, service providers, and public and private decision-makers in the enabling environment—and is therefore intrinsically participatory to some degree. However, emerging best practice in value chain development recommends a greater level of participation (see text box): explicitly engaging key actors from different levels of the value chain throughout the project lifecycle and devolving to them a high level of goal setting, decision making and responsibility for action.

LEVELS OF PARTICIPATION

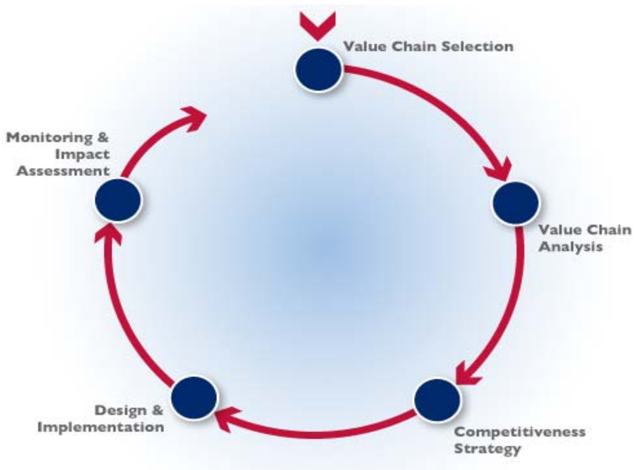
The degree of stakeholder participation ranges from low—where there is consultation with stakeholders through questionnaires and interviews; to high—where stakeholders have the opportunity to contribute substantially to the formulation of an intervention, are in part responsible for its implementation, and are involved in the selection of criteria by which success is measured. This range generally correlates to the level of buy-in or commitment to the process: from a minimal, passive interest in the intervention, to ownership of and a commitment of resources to the intervention.

The value chain approach focuses on relationships and behavior rather than simply on tangible solutions to technical constraints. This focus necessitates a central role for actors in the chain. Further, because the value chain approach seeks to facilitate change rather than directly intervening, analysis of the incentives of the various actors is essential: Why do they behave in the way they do, and what is needed to motivate them to change their behavior? To identify, understand and use incentives to drive the process of upgrading in an industry requires active engagement with industry stakeholders. A truly participatory approach to value chain development therefore moves beyond extractive or consultative interactions with stakeholders to an engagement that challenges behavior and stimulates collaborative solutions to value chain constraints.

The adoption of participatory approaches is hindered by a number of factors. First, while the need to obtain stakeholder buy-in has often been reiterated, practical steps to ensuring participation and local ownership have not been clearly articulated. Second, there is sometimes concern that promoting the participation of a wide range of actors is a resource-heavy distraction from the real business of stimulating commercial transactions, especially when project targets are ambitious and timeframes short. Third, high-profile stakeholders are sometimes asked by numerous donors and implementing agencies to participate in surveys, interviews and workshops, and are consequently reticent to commit their time to yet another development initiative. In such cases, participation can become less strategic, with heavy representation by small-scale producers (especially if provided incentives such as per diems or the expectation of project subsidies) and little or no involvement by private-sector decision-makers and change agents such as larger-scale processors, end market buyers, exporters or even innovative producers.

This briefing paper aims to demonstrate why and when participation can be effective, and gives guidance on how to implement participatory approaches throughout the value chain development project cycle (see figure 1).

Figure 1: Value Chain Project Cycle



PARTICIPATORY ANALYSIS

A participatory approach is essential during value chain analysis, which involves information collection primarily through semi-structured interviews with informed respondents to facilitate focused, conversational, two-way communication. This is followed by analysis of the information together with industry stakeholders to ensure that it accurately reflects the local reality.

The careful selection and participation of key informants determines the quality of the value chain analysis. The number of people interviewed will depend on many factors including the time and funds available and logistical constraints.[1] Although the sampling is not intended to have statistical significance, respondents should include representatives from each level of the value chain and others who understand trends in the end markets. As the key constraints to end market opportunities become clear, the selection of informants will become increasingly biased in favor of those likely to benefit from the removal of these constraints. Stakeholder participation at this stage should go beyond the provision of information to involvement in value chain mapping or the formation of interest groups to lay the groundwork for participation in other stages of the project cycle.

The information gathered from interviews should be analyzed by a broad representative group of stakeholders. This can occur through a series of meetings with key stakeholders or through a structured, interactive event that brings together recognized key players in the value chain, identified during the interview process or recommended by trusted sources, as well as decision makers and other stakeholders (see text box below).

WHOLE SYSTEM IN A ROOM

A WSR workshop brings together actors from the value chain's functional levels, including end-market buyers, representatives from the public sector, development NGOs, support services and the media. The success of a WSR is largely determined by the planning, participant selection and quality of the animator. Group exercises allow stakeholders to seek common grounds, establish coalitions and specify the actions they need to take in order to put into place a winning competitive strategy. The WSR format empowers stakeholders to achieve an action plan that is compatible with local resources and cultural practices, and encourages participants to assume responsibility for implementing the strategy.

In these group settings, constructing visual images can be a non-threatening exercise that offers a way to break the ice in initial contacts. By encouraging diverse stakeholders to collaborate in the development of a value chain map, a shared understanding of the value chain can be reached. Together, stakeholders learn how a value chain functions and their role within it. Collaborative development of the map also increases the sense of "buying in" to the participatory approach.

DEVELOPING A COMPETITIVENESS STRATEGY

Competitiveness strategies[2] develop when stakeholders realize the urgency of collaborating with other actors, service providers and decision-makers in the enabling environment to invest in upgrading in response to end-market opportunities. Facilitators must help stakeholders—individually and in groups—to grasp that unless they develop and implement competitiveness strategies, they risk losing market share to competing countries or substitute products.

If sufficient leadership exists within a value chain, project implementers can provide stakeholders with the information they need to develop and take ownership of a strategy to compete in particular markets, providing only lim-

[1] For information on how to select value chains see www.microlinks.org/vcwiki (select Value Chain Selection)

[2] For information on the process of developing a competitiveness strategy, see Correa M., et al, "Using the Value Chain Approach to Design a Competitiveness Strategy Briefing Paper" USAID. 2008

ited support, as needed. In other situations, implementers will need to play a more active role in identifying constraints to opportunities and encouraging stakeholders to invest in upgrading that will increase competitiveness (see figure 2 below).

Figure 2: Strategies for Stakeholder Participation

Market Conduct	No Industry Leader(s)	Clear Industry Leader(s)
Collective Action	**LESS MATURE** • Include broad section of stakeholders • Move from short-term to longer-term results activities • Shift facilitation from activities to vision focus	**MATURE & COMPETITIVE** • Facilitate strategy development through industry leader(s) • Identify win-win strategies from collective action • Support formalization of industry or trade groups
No Collaboration	**EMERGING** • Bring together subgroups of stakeholders key to the alleviation of constraints • Facilitate activities with short-term, win-win results • Build on positive experience to increase incentives to collaborate	**VALUE CHAIN WITH LEADER** • Facilitate lead firm investment in industry upgrading • Consider marginal gains from working principally with leader • Support industry leader in increasing competitiveness of MSE-lead firm linkages

Market Structure

Several different tools and resources[3] can be used in facilitating this process, including the development of Market Opportunity Groups[4]—small groups of small-scale producers selected by their peers to represent them in exploring market opportunities with other actors. Such groups build the confidence of small-scale producers, and enable them to effectively articulate their views.

SILK SCARVES IN MADAGASCAR

Local participation is not a replacement for participation by industry experts from outside the community: The Ambositra region of Madagascar attracts international tourists who buy carved wooden handicrafts. The same tourists occasionally purchase silk scarves made from locally collected silk worms. Based on the request by a number of local communities brought in to participate in value chain decisions, the region launched a program to promote silk scarf production for export. However, no one had knowledge of the end markets or international competition for silk scarves. Within a year, the local market was flooded with unsold scarves and discouraged weavers.

FACILITATING IMPLEMENTATION

Ensuring that the implementation stage continues to be participatory requires project implementers to take on the role of a facilitator—guiding and supporting stakeholder action rather than directly driving change. With short project timeframes and donor pressure to produce quick results, it can be difficult for facilitators to resist jumping in when things are not going fast enough or in the direction they expected. However, taking back control from stakeholder during implementation is likely to disempower and de-motivate the private sector and contribute to a dependency culture.

One way to mitigate this tension is through close and continuous monitoring of interventions and resultant changes in behavior. In this way, a lack of response or unexpected results can quickly be identified and facilitated interventions adjusted accordingly.[5]

For participation to gather momentum and acquire depth, implementers should use the result of one action to pollinate subsequent action. Initially stakeholders should be encouraged to prioritize activities that lead to results in the short term. In many cases, new issues or interests will emerge as these activities are implemented successfully. Eventually stakeholders gain trust and become comfortable with the participatory process.

Making like firms in the chain compete—in terms of resources they will leverage, number of small-scale suppliers they will buy from, etc.—can be an effective way of selecting firms for inclusion in project activities. The process should be highly transparent, however, and should allow additional firms to be included as they become willing and able to meet these same conditions.

Exit strategies are important for all value chain programs, and taking a participatory approach should imply a clearer and smoother exit. From the outset, stakeholders should be informed that the involvement of facilitators is temporary and catalytic—i.e., it is intended to be time-bound and is conditional on a response by stakeholders.

RECOMMENDATIONS AND LESSONS LEARNED

Be explicit about how the participatory approach will be applied. Participation does not happen auto-

[3] See for example ACDI/VOCA. 2006. "Guide to Facilitating Stakeholders' Workshops." See also Boquiren M & I Idrovo. 2008. "Facilitating Behavior Change and Transforming Relationships" microREPORT # 141, USAID.
[4] See http://practicalaction.org/?id=pmsd_MOG

[5] For more on the use of intervention/behavior change "pathways" see http://apps.develebridge.net/amap/index.php/Industry_pathway

matically: project implementers must be proactive in applying a participatory approach. Staff must be prepared to let stakeholders take the driver's seat, realizing that stakeholder buy-in is an incremental process; and donor expectations must be managed. Participatory "monitoring benchmarks" should be used throughout the project cycle. The goal of the approach should be kept in mind: not participation for its own sake, but to foster firms working together to increase industry competitiveness.

Ensure that donor support is appropriate. Donor funds must be flexible and responsive to stakeholders' needs, and sufficient in terms of amount and duration to enable stakeholders to continue to implement the competitiveness strategy. Just because a process is participatory does not necessarily imply that it can be left to the stakeholders without assistance, particularly if value chain actors are geographically dispersed.

Gain the interest and buy-in of key actors. It cannot be assumed that important stakeholders will want to use their scarce time and resources to participate in a value chain development initiative. Facilitators must identify vital issues or "hooks" to show the opportunity costs of non-participation. Value chain actors need incentives to be involved, but the goal is to tap into existing energy, resources and aspirations rather than create dependency through temporary subsidies. An example of a typical "hook" is addressing quality issues: actors want to participate because they recognize that low quality is stopping them from achieving higher returns.

Identify common interests to facilitate the development of trust. Value chains are often characterized by adversarial relationships and mistrust, so projects must conduct activities to promote the development of trust—or at least of understanding—among stakeholders, to facilitate information sharing and cooperation. It is important to clarify with stakeholders that the purpose is not a re-distribution of margins from one group of actors to another. Rather, the value chain development process focuses on stakeholders' shared interests. However, care should be taken not to foster collusion that limits upgrading. Effective competition drives innovation. The use of a tool such as the Relationship Matrix[5] can help stakeholders to assess progress in the development of relationships against pre-agreed targets.

[5] http://practicalaction.org/?id=pmsd_relmatrix_ia2

Build MSEs' capacity to participate. If MSEs are to effectively participate in a process that involves other, more powerful stakeholders then it is likely that projects will need to help them to become more confident and articulate. While not the starting point, empowering producers can be critical to a successful value chain project.

Develop a communication strategy. Having a clear plan of how to communicate project objectives and the results of stakeholders' activities is important, particularly to attract key stakeholders and keep their interest and commitment. The media can be strategically engaged as a partner that is involved from inception. Other mechanisms for communication include conferences, sector-specific seminars, case studies and written materials.

Build the capacity of facilitators. Strong facilitation skills are essential to encourage and maintain stakeholder participation. Facilitators must be flexible and have a deep understanding of both the project's aims and the local context. A consultant with industry-specific expertise can add credibility to the project team, but must be willing to serve as a resource rather than lead the analysis, strategy development and implementation processes.

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This paper was funded through the **Accelerated Microenterprise Advancement Project (AMAP)**. For more information on AMAP and related publications, please visit www.microLINKS.org).