



Introduction to *ValueLinks*

ValueLinks Module 1

VALUE CHAINS AND SUSTAINABLE GROWTH - AN INTRODUCTION



MODULE 1

01

VALUE CHAINS -

a perspective on
development

02

THE VALUELINKS CONCEPT

03

SCOPING & SELECTING A VALUE CHAIN FOR PROMOTION



FACTORS OF COMPETITIVENESS



VALUE CHAIN – A DEFINITION



“VALUE CHAIN” MEANS....

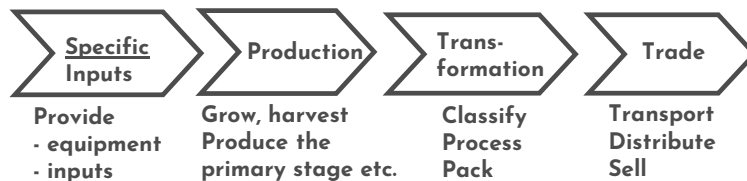
- The sequence of related business operations (functions) from the provision of specific inputs for a particular product to primary production, transformation, marketing, and up to the final sale of the particular product to consumers.
- The set of enterprises that performs these functions i.e. the producers, processors, traders and distributors of a particular product.



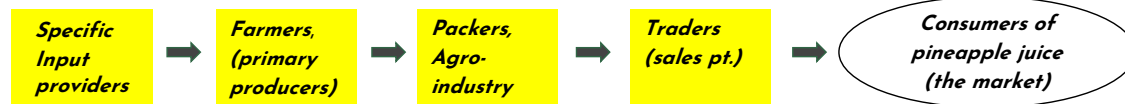
THE VALUE CHAIN MAP



BASIC SEQUENCE OF FUNCTIONS IN AN AGRIBUSINESS VALUE CHAIN



CATEGORIES OF OPERATORS IN VALUE CHAINS AND THEIR RELATIONS



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GOALS OF VALUE CHAIN PROMOTION

To add value to the local products...

BY...

- improving product quality
- adding processing steps
- improving supply chain efficiency



AND BY...

- innovating new products
- applying modern package designs
- fulfilling international standards
- branding the products



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BENEFITS OF VALUE CHAIN PROMOTION

Resulting in...

- Higher income for craftsmen/farmers (through better prices/increased efficiency)
- New markets for exporters or traders (through improved quality/innovations)
- Stable trading relations (through better linkages with local and international buyers)

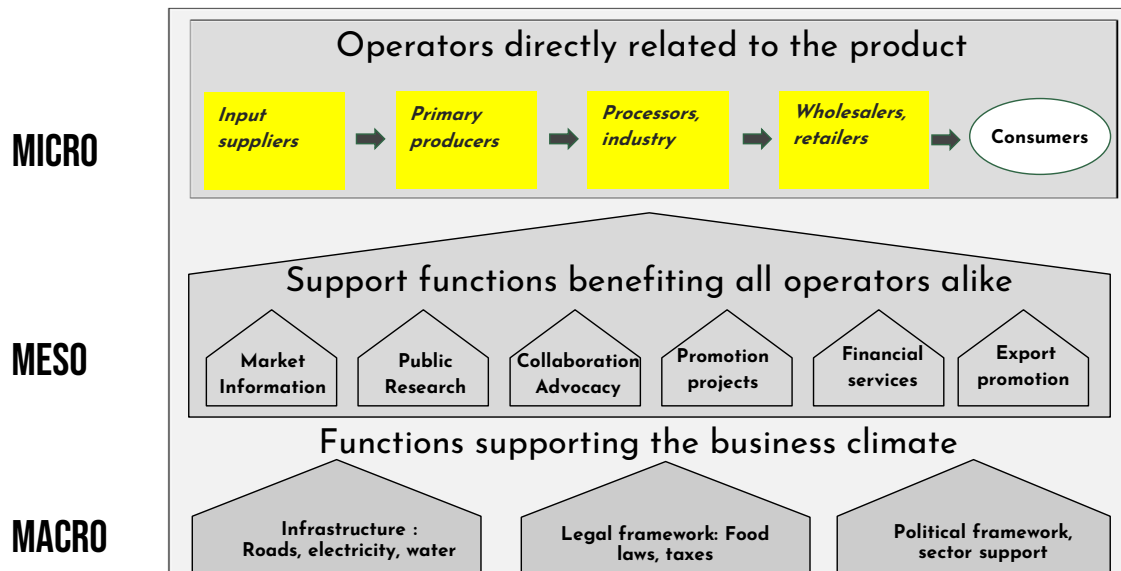


- Higher export earnings
- More investment
- More jobs
- Environmental sustainability

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CONCEPT: MICRO – MESO – MACRO LEVELS



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GOAL DIMENSIONS OF VCD



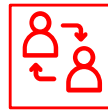
Economic growth

Greater volume and higher value generated ("a growing pie")



Environment protection

Natural resources and the climate are utilized sustainably, generating a "one planet footprint" ("green" growth)



Inclusion of the poor

Poor people benefitting at least equally or above average from the income generated ("pro-poor, "inclusive" growth)

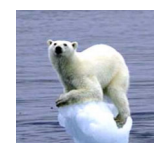
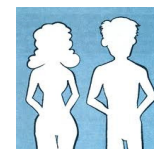
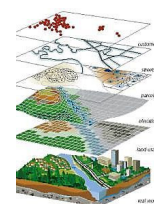
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COMPLEMENTARITY OF APPROACHES

To ensure impacts on several dimensions of development, the focus on VC should be complementary to other focus like :

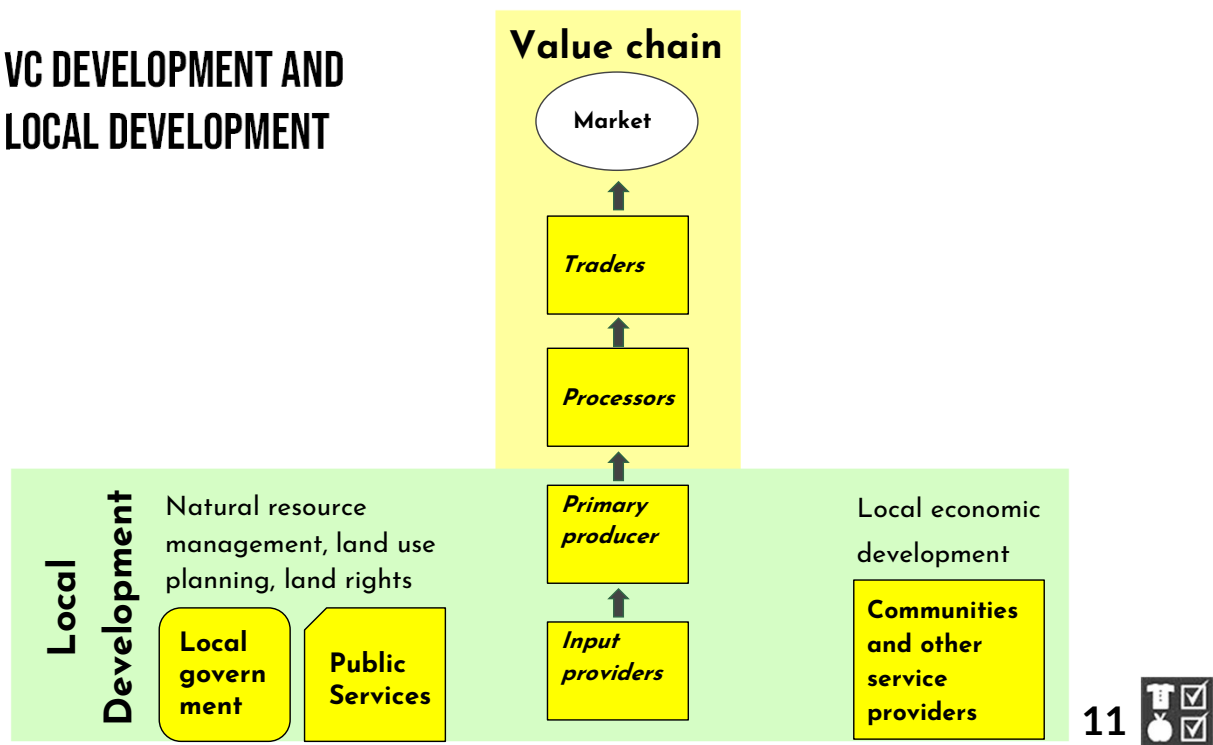
- VCs and Local development
- Gender issues / interculturality
- VCs and Climate change
- Green economy
- Biodiversity and ecosystems services



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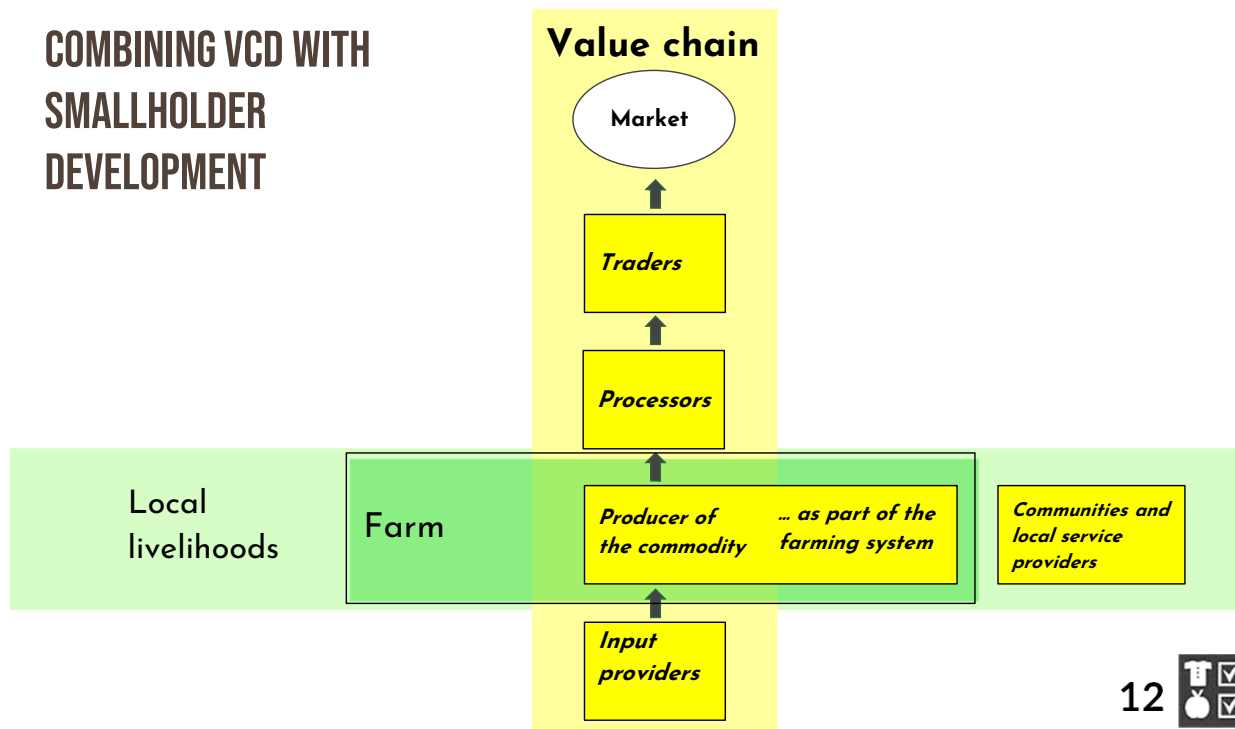
VC DEVELOPMENT AND LOCAL DEVELOPMENT



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COMBINING VCD WITH SMALLHOLDER DEVELOPMENT



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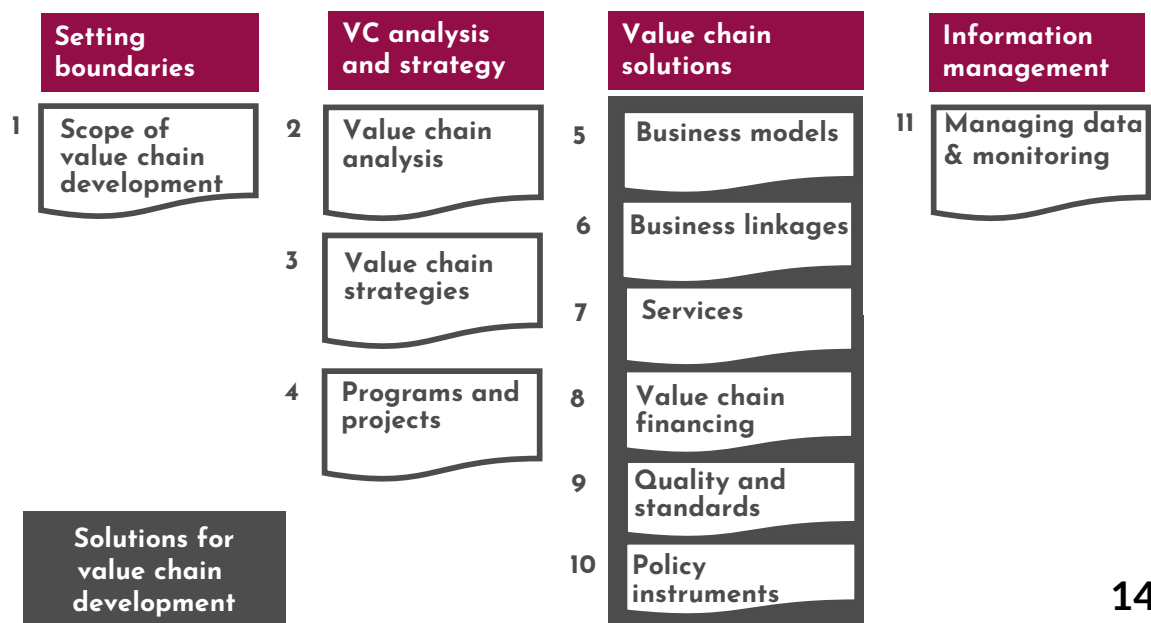


02 THE VALUELINKS CONCEPT

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STRUCTURE OF VALUELINKS 2.0



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ANALYTICAL AND DECISION-MAKING TASKS

<i>Modules</i>	<i>Issues / Tasks</i>
Module 1 Scope of value chain development	<ul style="list-style-type: none"> Assessing potential and limits of value chain promotion Combining VC promotion with other approaches Determining the scope of VCs, VC selection
Module 2 Value chain analysis	<ul style="list-style-type: none"> Structural analysis: value chain mapping Economic analysis of value chains Environmental analysis of value chains Social analysis of value chains
Module 3 VC upgrading strategy	<ul style="list-style-type: none"> Strategic considerations for value chain development Agreeing on a vision for value chain development
Module 4 Programs and projects	<ul style="list-style-type: none"> Steering instruments, managing VC development processes Cooperation, Partnerships with the Private Sector (DPP)

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VALUE CHAIN SOLUTIONS AND MONITORING

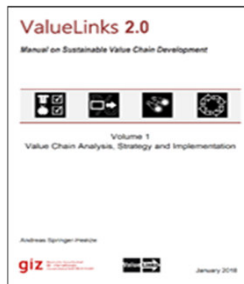
<i>Modules</i>	<i>Issues / Tasks</i>
Module 5 Business models	<ul style="list-style-type: none"> Business models for VC development Promoting and supporting entrepreneurship
Module 6 Business linkages	<ul style="list-style-type: none"> Fostering horizontal and vertical business linkages Business matchmaking at the meso level
Module 7 Services	<ul style="list-style-type: none"> Solutions for operational services Support services for value chain development
Module 8 VC Financing	<ul style="list-style-type: none"> Financial instruments in value chains Risk management in agricultural value chains
Module 9 Quality and Standards	<ul style="list-style-type: none"> Quality management along the value chain Introducing sustainability standard systems
Module 10 Regulations	<ul style="list-style-type: none"> Policy instruments in the context of VC development Economic, environmental and social policies
Module 11 Managing data and monitoring	<ul style="list-style-type: none"> Data collection and management Monitoring VC development, impact assessment

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MANUALS ON VALUE CHAIN DEVELOPMENT

ValueLinks 2.0



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03

SCOPING & SELECTING A VALUE CHAIN FOR PROMOTION

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SCOPING VALUE CHAINS

Sector



Sub Sector



Chain



Channel

Agriculture & Food

Tourism

Textiles & Clothing

Horticulture

Dairy

Meat

...

e.g. Horticulture:

- *French Beans*

- *Tomatoes*

- ...

according to end product/marketing system

- e.g. *table tomatoes sold in supermarkets*

Wildlife Tourism

Cultural Tourism

Beach Tourism

...

e.g. Wildlife Tourism

- *National Park visits*

- *Bird watching*

- ...

according to marketing system

- e.g. *as part of a package offered by tour operators*

Clothing

Textiles

Carpets

...

e.g. Clothing:

- *Apparel*

- *Knitwear*

- ...

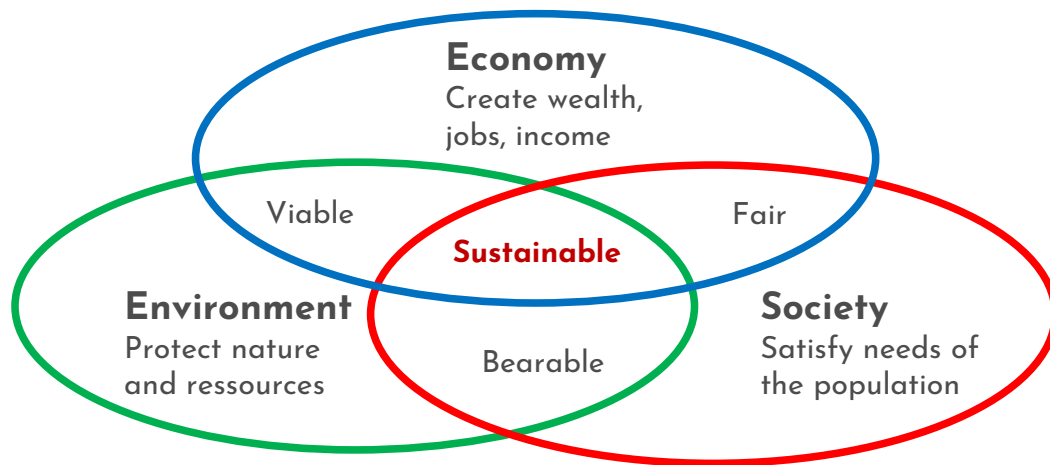
according to marketing/retail system

- e.g. *brand name apparel sold in specialty stores*

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THREE DIMENSIONS OF SUSTAINABILITY



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SHORT-LISTING MATRIX

Unmet Market Demand

High			High Priority
Medium			
Low	Low Priority		
	Low	Medium	High

Potential No. of MSMEs

Source: AFE – Action for Enterprise

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SELECTION CRITERIA



ECONOMIC CRITERIA

- National / international market demand prospects
- Comparative advantages
- Opportunities for employment creation



SOCIAL CRITERIA

- Prospects for inclusion of disadvantaged groups
- Need to improve working conditions
- Impact of the VC on surrounding communities



SELECTION CRITERIA



ENVIRONMENTAL CRITERIA

- Low negative impact of the VC functions on the environment
- Need to adapt to climate change
- Potential of “green opportunities”



INSTITUTIONAL CRITERIA

- Needs for a public investment
- Evidence of VC actors having plans for investments, readiness to cooperate
- Feasibility of the intervention



VC SELECTION MATRIX WITHOUT WEIGHTED SCORE

Key criteria	Indicators	Score VC 1	Score VC 2	Score VC 3	Score VC 4	Score VC 5
Economic criteria						
1: Market demand prospects	Price development, demand forecast	5	4	3	2	1
2: Employment creation opportunities	Number of persons employed	4	3	4	3	1
3: Comparative production advantages	Compare parameters	3	3	2	4	2
Social criteria						
4: Potential to lift out of poverty	Income potential of smallholder farmers	5	2	3	2	2
5: Prospects for inclusion of disadvantaged groups	Women, youth, poor, minorities	4	3	2	3	3
Environmental criteria						
6: Potential to improve impact on the environment	Negative impact/potential to improve	4	4	2	2	1
7: Need/potential to adapt to climate change	Level of vulnerability/potential to adapt	3	5	3	2	2
Other criteria						
8: National policy priorities	Relevance for national policies	5	3	3	2	1
9: Evidence of own initiatives of VC actors	Plans, interest, readiness to change	5	3	4	3	3
10: Feasibility of interventions	Barriers, capacity, synergies	4	5	2	2	1
Total		42	35	28	25	17

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EXAMPLE VC SELECTION

Table 1: Scoring of the avocado VC against the assessment criteria
(Score: 5 = very high, 4 = high, 3 = medium, 2 = low, 1 = very low)

Criteria	Findings	Score
Economic criteria		
1. Market demand prospects	<ul style="list-style-type: none"> Total annual production increased by 277% while price increased four-times in the past five years Processing companies in Sidama region are experiencing supply shortage Avocado has very good prospects for processing and value addition and is used for various purposes such as food, oil and cosmetics Evidence of emerging new local and international companies competing for producers' supply in Sidama and Oromia. 	5
2. Employment creation opportunities	<ul style="list-style-type: none"> Number of smallholder growers increased by 39% from 2016 – 2020 Out of 1,343,039 smallholder farmers reported to work in the three regions, Oromia accounts for 72% Evidence of further employment opportunities for more than 250 youth at the oil processing company Sunvado in Sidama. More processing companies are expected to enter the market and absorb more labor force. Quite a large number of young urban men and women are employed by local juice processors and cafeterias 	5
3. Comparative production advantages	<ul style="list-style-type: none"> Productivity per hectare increased by 60% from 2019/20-2020/21 and is expected to nearly double in 4 to 5 years' time The Ethiopian climate allows for the production of avocado all year round. It allows ripening of the fruit from July to December, which is the off-season period of most international avocado producers, during which Ethiopian avocado can reach higher export prices. Agro processors have started to extract avocado oil from local varieties encouraging avocado farmers to produce more. Avocado is thus becoming an industrial crop with a secure market. Avocado is often intercropped with coffee in Sidama and Oromia, which provides multiple advantages such as generating a second income. 	4
Social criteria		
4. Potential to lift out of poverty	<ul style="list-style-type: none"> Economic buffer and seasonal safety net for poor farmers as avocado is harvested when there are no other crops High value fruit crop with perceived potential to increase the net income of smallholders by 260,000 Birr from biennial harvests Evidence of some farmers in Sidama region earning up to 200,000 Birr annually from seedling production Avocado is a fundamental source of nutrition for rural populations Avocado is a perennial crop that takes at least three years for the farmers to generate first income and also involves higher production cost which may make it less attractive for poor farmers to grow avocado 	4
5. Prospects for inclusion of disadvantaged groups	<ul style="list-style-type: none"> Evidence of a few women's associations in Sidama and Common Interest Groups in Oromia earning seasonal income from seedling nurseries Retailing and processing of avocado involves more women than men Lack of access to land is a huge problem for youth to venture into avocado cultivation The expansion of oil processing plants is expected to offer more employment opportunities for young men and women 	4
Environmental criteria		
6. Potential to improve environmental impact	<ul style="list-style-type: none"> Processing of avocado into oil leaves large volumes of organic waste which can be converted into compost No harmful chemical products are used on avocado farms Expansion of avocado farms has good potential for rehabilitating degraded land areas and contributes to mitigating global warming 	4
7. Need or potential for climate change adaptation	<ul style="list-style-type: none"> The six avocado varieties promoted by ATA have the potential to adapt to various altitudes from low to mid heights No serious biological and natural risks reported for avocado production Except for some of the new varieties, most varieties are very adaptive to climate change 	4
Other criteria		
8. National policy priorities	<ul style="list-style-type: none"> Avocado is recognized as the first high priority commodity by the federal and regional governments and other agencies Avocado has been acknowledged by the government as an export commodity with the potential to compete with coffee Avocado is identified as a strategic commodity to reduce malnutrition and enhance nutrition security Extension strategies are addressing the challenges in the avocado VC, offering farmers production and management support 	5
9. Evidence of own initiatives/synergy effects	<ul style="list-style-type: none"> Clear government vision to transform the avocado VC has already achieved visible results Avocado has been selected as a lead product for the implementation of GIZ's project "Sustainable use of rehabilitated land for economic development" (SURED) Government, development agencies, farmers and processors are willing to collaborate on VC promotion High level of synergies between Sidama and Oromia regions on seedling production and marketing Regional governments have ear-marked a budget for strengthening and promoting the VC 	5
10. Feasibility of interventions	<ul style="list-style-type: none"> Warehouse and post-harvest challenges appear to be the most critical bottlenecks IAIP Sidama region have already attracted more investors to invest in oil processing plant Contract Farming (CF) schemes promoted by GIZ, ATA and others have the potential to enhance mutual linkages between producers and off-takers and empower producers to have a voice on their supplies GIZ is supporting and facilitating GLOBAL G.A.P certification which has the potential to increase the market share of the product on global markets Access to tailored loan products is crucial for smallholder farmers, but is apparently overlooked by financial institutions and support organizations 	4
Total		44

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EXAMPLE VC SELECTION

Key criteria	Avocado	Onion	Sesame	Teff	Rice
1: Market demand prospects	5 years: production +277%, Nominal price +400%, evidence of new processors, input for many industries 5	5 years: production +20%, Nominal price +167%, high price volatility, low prices at harvest, off-season potential, 4	5 years: production +14%, growing national and strong international demand, processors 5	10 years: +100% nominal price increase, growing domestic demand 5	5 years: +20-35% increase of nominal prices and quantities per year, increasing middle class demand, use for injera 5
2: Employment creation opportunities	5 years: +39% smallholders, 1.3 million farmers in the three regions, farm employment throughout the year and in processing 5	1.8 million smallholders in the three regions, high casual farm labour (3.2 million in Oromia only), opportunity mainly in irrigation areas 4	736,000 households in Ethiopia (most from Amhara and Oromia), high demand for casual farm labour, employment in processing 3	5.6 million teff farmers in the three regions, high casual farm labour offering job opp. for 110 persons per ha, but not many youth want to do teff 5	5 years: number of farmers is increasing. 80,000 farmers in Amhara (2015), 30,000 in Oromia, potential mainly in pocket areas 4
3: Comparative production advantages	Does not need many inputs, less production risks, new variety HASS with high potential, but strong international competition 4	Good production zone for onion, different info regarding imports, VC actors: better than other vegetables 4	World market appreciates Ethiopian quality, current productivity is rather low but potential to triple SH productivity 4	Three-fold higher income than from sesame and 92% higher than wheat (competing product) but hard work, risk-free business 4	SH farmers are turning to rice, but quality is mainly for low income customers, constraints with inputs and mechanization 4
4: Potential to lift out of poverty	SH net income: 260,000 Birr per ha with HASS variety, biennial harvest, high value crop, seasonal buffer, but first harvest after 3 years, high production cost 4	120,000 Birr/ha net income as additional crop in dry season, reasonable income from 0.5 ha 5	27,000 Birr net income/ha, particular potential in poorer lowland areas, improves nutrition quality, lower income than teff but this could change if productivity triples 2	75,000 Birr net income/ha, threefold higher income than from sesame. Most important cash crop but non-equal distribution of profit along the chain 3	Net income 90,000 per ha per season. More profitable than teff, preferred cereal crop of SH farmers 4
5: Prospects for inclusion of disadvantaged groups	Women in the VC, seedling production, retail and processing, large number of youth/women in seedling 4	Preferred SH farmer crop, highly valued by youth, important for casual work. 5	Creating a lot of employment particularly at farm level, women labour involved 3	Important staple food, post-harvest handling involves many women 5	Labor-intensive, involvement of women and youth 3

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EXAMPLE VC SELECTION

6: Potential to improve environmental impact	Creates a lot of compost, no use of chemicals, rehabilitation of degraded land, recommended for agro-forestry systems, high water consumption 4	Less use of chemicals in dry season than other vegetables, but still more problems than in the other VCs compared, inorganic fertilizer can be reduced 2	Potential to use hydro and solar energy, potential of GAP application 3	Application of GAP 3	Application of GAP 3
7: Need or potential for climate change adaptation	New varieties can adapt to mid-altitudes and less water uptake, considered appropriate for CC adaptation 4	Can be affected by hails, storms, or drought. Introduction of agro forestry systems and water management 3	Affected by drought, potential for irrigation, improved farming systems and organic production 3	Self-adjustment to weather conditions, CC adapted new varieties 5	Highly dependent on rainfall, needs crop rotation etc. 3
8: National policy priorities	First high priority strategic crop, important export crop, exist. extension strategies 5	Priority crop, important for nutrition security, less implemented gov. support 3	Strategic priority commodity, important export crop 5	Strategic food security crop and GDP contributor, but some policy disincentives 4	Considered "millennium crop", targeted by policy for food security 4
9: Evidence of own initiatives/synergy effects	GIZ with PPP on promoting CF, seedling supply and processing, rather new support since 3 years 5	CF, IDH, SNV are supporting, good cooperation potential 4	GIZ is supporting the VC, synergy effects expected 4	Strong industry initiatives, donor support is minimal, 4	JICA and various donors support the chain, could be duplication 3
10: Feasibility of interventions	Potential for CF, GlobalGAP and organic certification, better post-harvest handling and access to credit 4	High organizational capacity of VC actors such as coops, price fluctuation to be reduced, 5	New varieties, attractive price investment packages for oilseeds, good possibility to improve productivity 4	High potential to increase productivity, crop rotation and mechanization, long neglected by int. research 4	Very promising, high commitment of the government and VC actors 4
Total	44	39	36	42	37

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