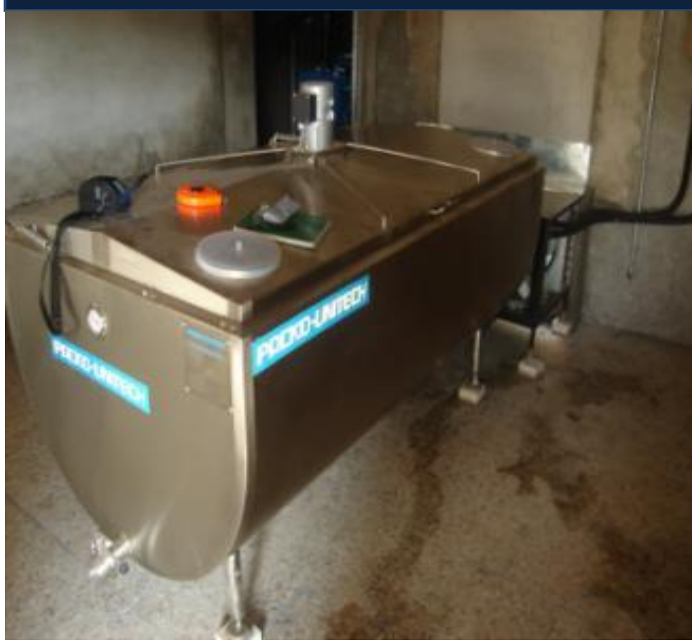
VALUE CHAIN/ENTERPRISE DEVELOPMENT IMPLEMENTATION CHECKLIST



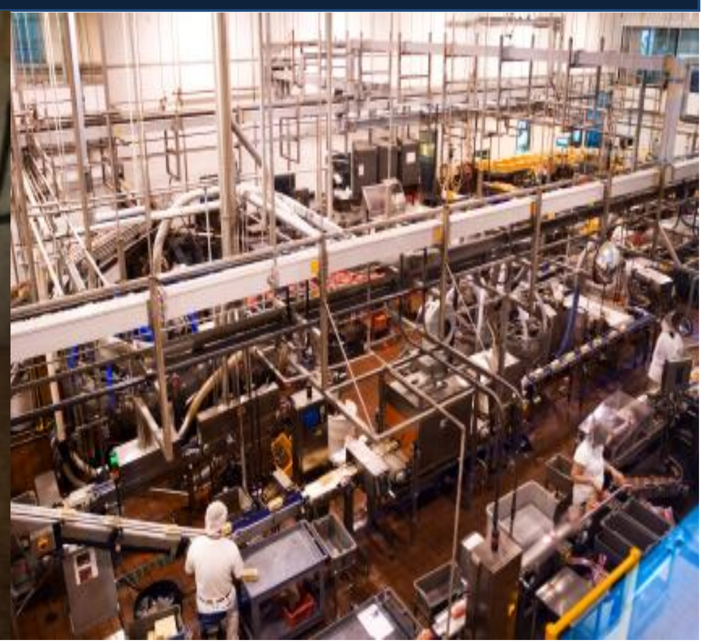


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Table of Contents

Objectives:

This checklist presents a methodology for selecting and incorporating, in projects and initiatives that especially emphasize enterprise development and the role of business, individual value chain approaches described in the World Bank Value Chain Guide, *Building Competitiveness in Africa's Agriculture: A Guide to Value Chain Concepts and Applications*. The Guide discusses numerous value chain implementation tools and approaches that can foster value chain development and upgrading initiatives. This checklist complements the tools described in the Guide by providing a methodology to make decisions regarding the use of the tool:

- Whether to apply the tool in a particular situation,
- Practicality of using the tool and likelihood of success,
- Results that should be expected,
- Issues to be mitigated, and
- Impact on enterprise development.

Overview of the Checklists

How to use these checklists:

When used as a supplement to the Guide, this checklist enables planners, decision makers and implementers to determine the appropriateness of a tool's use to achieve priority results and in specific economic environments.

How these checklists are organized:

This technical note provides a checklist for each of the Guide's 12 implementation tools. Each checklist is divided into six sections:

1. *Questions to consider in using the tool*
    a. How well does the concept apply to the existing context? What entry and outcome opportunities should be expected in implementing the tool?

2. *Reasonable assumptions and preconditions for implementation.* If the following questions highlight a gap or weakness in the business environment, then the approach should be incorporated into the project design.
    a. Are market incentives in place to make the value chain-based concept work? Could they be?
    b. Is the environment clear of barriers to facilitate the success of a value chain-based approach? What types of barriers exist (regulatory, information, finance, infrastructure)? Which barriers must be removed before implementation? Which barriers can be resolved during implementation?
    c. Are the skills and capacities that are needed for successful implementation available in the business community? How difficult will it be to obtain those skills?
    d. Are complementary skills needed for the success of the intervention available (analysis, awareness building, credibility with stakeholders)?

3. *Specific option sets for implementing the tool.*
    a. What alternatives exist for implementing each tool or approach? What kind of programmatic responses or entry points are available?

4. *Specialized resources for implementation.*
    a. What specific skills are needed to implement the tool?

5. *Expected business response.*
    a. What kind of behavioral responses and decision making would one expect to see from firms to suggest that the tool or approach is being effectively adopted?

6. *Understanding the results – How do you know it is working?*
    a. What long term outcomes would we expect to see? In the industry overall? In specific companies and their actions?
    b. What intermediate results should be apparent to demonstrate that the intervention is on track? Examples could include:
        - New enterprise formation.
        - Increased entrepreneurship activities, and various forms of Enterprise Development (ED).
        - Increased efficiencies in enterprises.
        - Created economies of scale in production and distribution.
        - Strengthened linkages across the value chain.
        - Increased professionalism.
        - Improved access to supporting services and information.
        - Increased use of market information and modern production technology.
        - Improved quality and adherence to standards.
        - Enhanced value added.
        - Development of strategies at the firm level.
        - Self-interest of individual companies and entrepreneurs engaged in Public Private Dialogue (PPD).
        - Changed investment strategy by specific businesses or collections of businesses.
    c. Who will benefit? How? Where possible, these benefits should be quantified and measured in terms of value chain and ED response.

The Individual Tools:

The World Bank Value Chain Guide, *Building Competitiveness in Africa's Agriculture: A Guide to Value Chain Concepts and Applications,* is comprised of 13 Tools (these are summarized in the appendix at the end of this document). This checklist covers 12 of those Tools. The 13th Tool: Monitoring Achievements in Value Chain Performance is not covered in this document because Monitoring should not be considered an option for value chain implementation; it should be an integral component in all program design. Similarly, embedded within each Tool in this checklist is a "How do you know the tool is working?" section, which also provides a core of potential monitoring measurements.

The remainder of this note presents the implementation checklists of the 12 tools.

Tool 1: Choosing Priority Sectors for Value Chain Interventions

This approach uses several analytical tools to describe how donors, investors, governments, and other organizations can prioritize among the value chains in which they potentially invest their resources. The process can help planners in the public sector and development partner organizations to select which value chains to support. It introduces several approaches to sector selection, including Revealed Comparative Advantage (RCA) analysis, Domestic Resource Cost (DRC) analysis, Market analysis, Domestic Capacity and Economic Impact evaluation, and Testing commitment.

Questions to consider in using this tool

- What resources are available (time and money) for sector selection?
- Does the donor have adequate information to conduct the selection process (such as studies or documents produced by previous projects) or is the selection process best left to the implementing organization?
- Are there secondary sources that have already ranked the competitiveness of sectors?
- What is the market potential for the target value chains?
- Are there sectors that have particular private sector appeal?
- What are the trust dynamics within each sector?
- Why is sector selection being conducted?
- Who should be involved in the sector selection process?

Reasonable assumptions and preconditions for implementation

- The client has not already pre-selected the target sectors.
- The value chain actors already appear to demonstrate commitment to value chain improvement and upgrading.
- Sectors can be prioritized in terms of their contribution to overall project objectives such as higher incomes, employment, exports, etc.
- There is reliable cost build-up data or the opportunity to gather such data.
- There is willingness on the part of the private sector to provide input in sector selection.

Specific option sets for implementing the tool

- Domestic Resource Cost (DRC) analysis.
- Revealed Comparative Advantage (RCA) analysis.
- Market analysis.
- Economic impact weighting (exports, employment, potential for competitiveness, etc.).
- Social impact analysis (number of SMEs, gender considerations, etc.).
- Testing the commitment of value chain actors by assessing their participation in the selection process.

Specialized resources for implementation

- Sector selection specialist with skills in value chain analysis.
- Sector-specific expertise.
- Economist with strong quantitative skills for RCA and DRC.
- Strong project coordinator who ensures the quality and consistency of the information resulting from the various selection activities.

Expected business response

- Value chain actors meet and provide information to the sector selection process.
- The involvement of the value chain actors at this early stage may begin a larger sector-wide dialogue.
- Agreement among value chain actors to collaborate and focus on sectors that are selected.

Understanding the results – How do you know it is working?

- The participants generally feel that the sector selection process is fair, transparent, and consistent with the project objectives.
- The selection criteria enable the individual(s) responsible for using the results of the process to distinguish between sectors.
- The selection process provides useful ideas for implementation.
- The sector interventions are meeting anticipated objectives. In cases where interventions are not meeting objectives, the project's shortcomings are not related to criteria that were improperly measured during the sector selection or should have been reasonably incorporated into the selection process. (This would likely not be seen immediately).

Tool 2: Designing Informed Strategies Across the Value Chain

This approach describes a selection of fundamental analytical tools for understanding the quality and efficiency of a suite of strategy tools for improving value chains. The tools demonstrate the types of analysis and information that should guide strategies and actions to enhance the performance and productivity of the value chain. These include tools to assess the overall status of the value chain, such as Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis and the Competitiveness Diamond; as well as a number of tools to assess strategic and operational productivity, the quality of supply chain management, human resources, and the business environment.

Questions to consider in using this tool

- How dynamic is the target market?
- What types of strategies do target firms and value chains currently have? Are they good strategies?
- Does the target value chain have a recognizable or agreed strategy?
- What are the drivers of success for the target value chain?
- Has anyone already systematically prioritized the types of interventions that are most important to serving markets or otherwise achieving value chain success (strategic productivity, operational productivity, supply chain management, human capital investment, business environment improvement)?

Reasonable assumptions and preconditions for implementation

- There is flexibility among value chain participants that would permit improvements in strategies and business models.
- Improved strategies will result in improved business and value chain performance.
- The business enabling environment provides businesses the opportunities to select and act on competitive strategies.

Specific option sets for implementing the tool

- Directly through project actions (e.g. facilitating strategy development through workshops that feature inclusion and active participation of value chain stakeholders).
- Via local business service providers.
- Through lead firms.

Specialized resources for implementation

- Competitiveness strategist.
- Facilitators for strategy development.
- Industry experts.

Expected business response

- Heightened awareness of value chain dynamics and market opportunities.
- Increased demand for tools that offer strategic insights.
- Value chain participants look to new market opportunities and are eager for information about new markets.

- Businesses seek service providers who can objectively contribute to strategy development and implementation.
- The value chain strategies in turn foster more strategic decision-making at the business level.

Understanding the results – How do you know it is working?

- Firm-level, value-chain or sector-level investment in market information.
- Firms consciously reposition themselves (or position themselves for the first time).
- Firms operate in concert to implement agreed upon strategies.
- Strategy terms become part of the development lexicon.
- Improved operations to serve new strategies.

Tool 3: Conducting Benchmarking and Gap Assessments of Value Chains

Benchmarking compares the performance of a company or value chain (or specific elements of a value chain) to itself at different points in time, to another value chain in the country, or to a value chain in another country, in order to establish the current baseline position and provide comparative data to guide decisions and actions, generally using quantitative indicators. Benchmarking can also be conducted on the enabling environment for value chains. Gap analysis, which measures the degree to which the target value chain is falling short of the performance of comparison value chains, is useful in understanding differences among comparison value chains, and helping value chain participants identify the areas where interventions and reforms should take place.

Questions to consider in using this tool

- What will be benchmarked and how will benchmarking and gap analysis meet the project's strategic objectives?
- How will the value chain actors use the information?
- Are there identifiable good practices associated with other value chains within the country or in comparison countries?
- Is there comparable secondary data that provides a baseline for current performance? Is there comparable data for best practice value chains?
- In cases where no such data is available, are there resources to collect the data?
- Can all activities be benchmarked within the value chain and have a gap analysis conducted on them?
- What are the important activities/performance indicators that should be benchmarked?
- Who should conduct the benchmarking?
- How will the benchmarking activity be institutionalized?

Reasonable assumptions and preconditions for implementation

- Benchmarking data is perceived as accurate.
- Industry participants believe that the chosen benchmarking comparisons are relevant.
- Value chain actors are willing to act on the benchmarking and gap analysis results.

Specific option sets for implementing the tool

- Benchmarking against other local value chains.
- Benchmarking against regional value chains.
- Benchmarking against international best practices.
- Benchmarking against the same value chain at another point in time.
- Benchmarking carried out with international or local technical assistance, outsourced to consultants, or by the value chain participants themselves.

Specialized resources for implementation

- Experts with benchmarking and gap analysis experience.
- Industry/sector experts with knowledge of best practices and comparison value chains.

Expected business response

- Businesses visiting and/or studying benchmarked/best practice countries to investigate good practices regarding the benchmarked activity.
- Stakeholders acting on the benchmarking and gap analysis.
- Stakeholder investment in sources of information (such as databases) that may be useful in conducting benchmark analysis.
- Businesses make investments and operating improvements to replicate and or integrate the processes from the benchmark countries.
- Increased stakeholder interest in the drivers of value chain performance.

Understanding the results – How do you know it is working?

- Critical factors are identified that determine value chain competitiveness.
- Strategies are developed and implemented by the value chain actors to address value chain gaps or weaknesses.

Tool 4: Upgrading and Deepening the Value Chain

This approach addresses methods of upgrading the value chain, for example by increasing its competitiveness by enabling the value chain to serve a new market, market segment, or customer; by increasing efficiency within the value chain; or by adding operations within the value chain. The approach deals particularly with achieving upgrading by deepening the value chain, which is the addition of activities to those that the value chain currently performs.

Questions to consider in using the tool

- Are there opportunities to enter new markets?
- Are there opportunities for increased efficiencies within the value chain?
- Is there unmet market demand?
- Are there opportunities for domestic and international investment within specific value chains?
- Are there opportunities for vertical integration within the value chain? (See also Tool 6).
- Are there gaps in the value chain that can be filled by entrepreneurs by adding new services? (See also Tool 10).
- Are there opportunities for commercial joint ventures that would upgrade the value chain?

Reasonable assumptions and preconditions for implementation

- There is a market for products with higher value.
- There are investors who are interested in investing in the value chain.
- The legal/regulatory environment does not prohibit integration within value chains.
- Value chains are sufficiently flexible that they permit for new entrants (i.e., no insurmountable barriers to entry).

Specific option sets for implementing the tool

- Provide support (technical and financial) to entrepreneurs seeking opportunities to enter the value chain at key leverage points.
- Assist business incubators or service providers that can support these entrepreneurs.
- Carry out investment promotion activities focused on relevant value chain opportunities.
- Carry out market studies, benchmarking, gap analysis to identify desirable market needs and niches.
- Support activities to promote joint ventures.
- Work through associations and other service providers to add specialized or collaborative operations and/or offer services to value chain actors.
- Support business service providers in increasing their capability to deliver services to value chain actors.

Specialized resources for implementation

- Investment/market development expertise.
- Specialists in specific business models and technical areas.
- Business service providers.
- Guarantee funds/collateral guarantees for entrepreneurs able to fill value chain gaps.

Expected business response

- Entrepreneurs and new businesses entering the value chain.
- Foreign and/or domestic investors investing in the value chain.
- Vertical integration to achieve efficiencies or reposition value chain toward higher value, more differentiated market niches.
- More specialization within the value chain.
- Businesses/value chains seeking niche markets for differentiated products.
- Businesses seeking credit and capital to invest in upgrading and deepening activities.
- Improvement in cooperation among value chain actors.

Understanding the results – How do you know it is working?

- Improved value chain models and structures that feature increased efficiencies and additional operations.
- Increased number of transactions, contracts, memorandum of understanding (MOUs) and other understandings between value chain actors.
- New businesses in the value chain.
- New services within the value chain.
- Increased specialization within the value chain players.
- Increased domestic investment and/or foreign direct investment in the value chain.
- Lower unit cost of production due to increased efficiencies.
- New market segments entered with existing products.
- Introduction of new products to meet market demand.
- Improved product quality.

Tool 5: Identifying Business Models for Replication

This approach uses the value chain lens to identify replicable business models that offer increased efficiencies, economies of scale, reduction of transaction cost, volume expansion or more value added in the chain. The approach, related to value chain deepening or expansion, is one of the most effective tools presented for attracting private investment into the value chain.

Questions to consider in using this tool

- Are there profitable business models at the firm level?
- What does the business model depend on for profitability/success?
- Who are the actors in the industry? What are their self-interests and how does that impact the viability of the model?
- What are the risks associated with replication?
- What individuals/organizations are needed to ensure success of implementation?
- Is there reason to believe that a demonstration would result in a substantial number of new investors investing in similar activities (that is, would it change investors' perception of the risks involved)?
- Would entrepreneurship be fostered through this model?
- Has this or a similar business model been tested in other situations?

Reasonable assumptions and preconditions for implementation

- At least one of the following conditions exist:
  - There are supply and market opportunities to expand volumes,
  - There is a lack of intermediate capabilities in the value chain, the gap can be filled by entrepreneurs and serve as the basis for replication opportunities,
  - Fragmentation of roles in the value chain allows for substantial intermediation opportunities, and
  - There are advantages to localization of business activities with a well-defined geographic location.
- Essential supporting services exist or can be created.
- There are no insurmountable regulatory barriers to investment.

Specific option sets for implementing the tool

- Facilities or mechanisms for replication:
  - Through franchising,
  - Technical and management training,
  - Standard technology and process packages that form the basis of a business investment,
  - Technology diffusion that improves the value chain operations,
  - Guarantee mechanisms or matching grants needed for reducing the financial risk,
  - Investment packages that would help to finance the pilot projects, and
  - Support services to assist in adopting a new techniques or equipment.

Specialized resources for implementation

- Expertise that can identify expansion, service or scale opportunities in the value chain.

- Start up risk sharing mechanism to reduce the risk associated with the new models.
- Expertise to develop the technical/process package – possibly in association with local research and development capacity.

Expected business response

- Clamor to invest in the new business model.
- Private financing replaces public financing/guarantees as the private sector's perception of the risk changes.
- Adoption of the business model into the value chain structure.

Understanding the results – How do you know it is working?

- Private businesses are investing in and using the new business models.
- The new business models effectively and profitably serve other value chain stakeholders.
- Activities originally conducted outside the country's (or region's) value chain are incorporated into it.
- Increased value chain productivity.
- Increased investment in the value chain.
- Improved quality of products/services.
- Higher value add within the value chain.
- Replication of the business model.
- The new businesses provide a base for innovation and entrepreneurship; the business models evolve.

Tool 6: Capturing Value through Forward and Backward Integration

Vertical integration refers to the creation of forward and/or backward linkages by firms to carry out more of the activities taking place within the value chain. Vertical integration also takes place at the value chain level when more stages from the global value chain are brought into the country's value chains. This tool encourages increased value, lower costs, increased coordination, and/or greater efficiencies to be achieved, when the value chain develops or absorbs more of the global value added activities. The tool also deals with some of the considerations for integration at both the production and operational levels.

Questions to consider in using this tool

- Are firms seeking to better control supply, quality, timeliness or other elements of the value chain operations?
- Are firms seeking to promote enhanced coordination of the value chain to increase efficiencies or obtain other benefits?
- Are service provision costs and raw materials supply or costs unreliable or unpredictable?
- Do international costs or quality leaders demonstrate forward or backward integration?
- Is there competition in procurement among similar firms?
- How much quality or service control would be gained if the processor integrated backward to assume production, storage, transport or handling functions?
- Would backward integration lower the cost of raw materials?
- Are there opportunities for increased productivity or value addition through integration operations?
- Is there a lack of intermediation in the value chain?

Reasonable assumptions and preconditions for implementation

- Laws or regulations do not present insurmountable barriers to value chain integration.
- Integration is politically and socially possible.
- The integrated business model makes business sense, is profitable, and does not create anti-competitive situations.

Specific option sets for implementing the tool

- Firms interested in forward linkages or adding services to the value chain.
- Through lead firms interested in backward integration.
- Using business associations as a mechanism for enhancing small producers' ability to forward integrate, or to provide a needed service.

Specialized resources for implementation

- Expertise to quantify operational synergies, understand risks and dependencies.
- Possible assistance in presenting the new business model to upstream farmers/suppliers, and to social/political authorities.
- Business planning expertise.
- Access to investment capital.

Expected business response

- Businesses willing to conduct analyses to identify opportunities to integrate.
- Investors seek investment and operating partners.
- Increased incidence of contract farming, embedded services, and similar arrangements.

Understanding the results – How do you know it is working?

- Access to new markets.
- Increased quality and timing of product delivery (backward linkages).
- Increased exchange of information among value chain actors.
- Regulatory change when existing systems have emphasized separation of production and downstream activities.
- Increases in value added production, product quality.
- Improved logistics within the value chain.

Tool 7: Horizontal Collaboration – Creating and Taking Advantage of Economies of Scale

This approach focuses on achieving horizontal collaboration mechanisms and linkages amongst farmers and businesses to overcome constraints stemming from small-scale activity by some producers or enterprises. The tool provides a way for horizontally related firms within a value chain to enhance their bargaining power and purchasing power, and their ability to obtain higher-level knowledge, services and technologies by sharing information and pooling resources. The tool describes the benefits of collaboration and the steps necessary to achieve it.

Questions to consider in using this tool

- Is there a clear rationale for collaboration that benefits both the collaborators and the remainder of the value chain?
- Would horizontal linkages increase the partners' negotiating leverage?
- Would collaboration be likely to help achieve benefits such as accessing new markets, introducing new brands, or achieving economies of scale?
- Are opportunities available for producing higher value products or lowering production, logistics or other costs through shared activities?
- Are there perceived costs or risks to collaboration?
- Do farmers or firms see the benefits of collaboration?
- Does a mechanism exist for fostering a dialogue and facilitating trust building among the players?

Reasonable assumptions and preconditions for implementation

- Multiple actors are engaged in the same activities, in relative proximity to each other.
- There are few substantial barriers to collaboration, such as regulatory barriers or physical barriers.
- Economies of the value chain justify collaboration.

Specific option sets for implementing the tool

- Establishing or facilitating associative mechanisms that form the basis for the ongoing collaboration (e.g., farmers' associations, cooperatives, production companies).
- Provide technical assistance through associations or non-governmental organizations (NGOs) to introduce and implement the arrangements.
- Work with lead firms to structure the horizontal relationships among upstream suppliers.
- Use demonstration or pilot projects to try out ideas and disseminate the approaches.
- Facilitate vehicles for communication, information generation and dissemination to promote horizontal linkages.
- Use formalizing agreements, including contracts and MOUs, etc., that would enable a formal associative entity to collect dues, organize producers, and deliver services, pay dividends, etc.

Specialized resources for implementation

- Association/business services development expertise.
- Expert facilitators.

Expected business response

- Increased trust and collaboration among value chain actors.
- Businesses or producers associating to take advantage of economies of scale to increase negotiating or buying power, and access services, information, technologies, etc.
- Producers and businesses recognizing the value of services provided by service-focused associations.
- Increased investment in innovative approaches throughout the value chain due to pooling of knowledge and resources.

Understanding the results – How do you know it is working?

- Lower costs due to the joint purchase of inputs.
- Improved farmgate prices.
- Restructured value chain to reflect increased negotiating power and governance structure.
- Stronger models of associations that optimize coordination and provide needed services to members.
- Policy changes enabled by lobbying that are more effective by an organized group.
- Increased volumes per sale as associated producers begin to sell in quantity or more specialized offerings.
- New services introduced to meet the needs of the restructured value chain; associated stakeholders have the combined capacity to pay for these new or improved services.
- Increased product quality, resulting from improved knowledge, services and technology.
- A sustainable structure for collaboration, with sound governance arrangements.
- Improved vertical linkages in the value chain as downstream buyers find it easier to deal with suppliers in the associative arrangements. Follow on benefits can include more information sharing, improved transaction logistics, etc.

Tool 8: Positioning Products and Value Chains for Greater Value and Competitiveness

Building on some of the earlier approaches, this tool describes the use of competitiveness positioning assessments to generate strategic direction to many of the actions that the value chain stakeholders implement to improve competitiveness. The tool examines the alternatives for positioning and highlights the considerations in determining what position to take. Ultimately the tool is designed to help value chains identify and develop the strategic actions that will achieve a more profitable and competitively defensible position in the market.

Questions to consider in using this tool

- Where is the value chain currently positioned (2 x 2 matrix: value addition vs. product differentiation)?
- Which are the desirable competitive positions for this value chain?
- What does the market want (and is willing to pay for) and what can the value chain conceivably provide?
- What are the profit margins and likely demand at each position?
- What are the global trends in demand for the product?
- Who will the competitors be at the new position?
- What are the requirements necessary to compete at the new position?
- What are the gaps between the current situation and the requirements for a new position?
- What strategy will the value chain use to re-position itself?

Reasonable assumptions and preconditions for implementation

- Value chain is currently operating at a “productivity frontier” or profitability (i.e., not at an optimal position in the global industry).
- Resources are available to reposition the chain.
- No insurmountable regulatory barriers exist (such as requirements to sell first to the domestic market before exporting).
- There is access to supporting data and analysis.
- There is sufficient collaboration among value chain stakeholders to justify defining a position and a strategy to get there.

Specific option sets for implementing the tool

- Research and dialogue to identify highest value market segments.
- Improvement in quality, complexity, and/or differentiation of product.
- Assistance in meeting standards necessary for targeting higher value markets.
- Identify appropriate marketing and distribution channels.
- Consider and perhaps adopt multiple positioning strategies (i.e., diversifying product strategy to target differing, distinct markets).
- Branding or promotional activities to support the positioning.
- For cost-sensitive positioning choices, decrease value chain costs by achieving greater operational efficiencies.
- Foster intra-value chain collaboration to differentiate products and strategies.

Specialized resources for implementation

- Market information, often highly specific. Market research.
- Branding (market development) specialist.
- Funds for research (such as consumer surveys).
- Specific industry expertise.
- Competitiveness/business strategist and facilitator.

Expected business response

- Value chain stakeholders actively assess current vs. proposed position and profit margins for each.
- Value chain actors are conducting competitor research.
- Active sharing of information within the value chain.
- Restructured operations and linkages to work within a repositioned value chain.
- Seeking new markets for existing products.
- Developing new products for new or existing markets.
- Branding and certification efforts.

Understanding the results – How do you know it is working?

- Increased total value chain sales or profits due to new market positions, higher degree of differentiation, increased brand awareness, and greater value addition.
- Improved product mix and choice of marketing chains.
- Introduction of new products and services.
- Increased access to targeted market information.

Tool 9: Applying Standards and Certifications to Achieve Greater Quality

This approach addresses ways that value chains can use quality certifications to enhance the value and marketability of its final product(s). It examines the importance of meeting quality and performance standards, and the importance of specific qualities, standard measurements, and informational and other characteristics. It addresses standards as part of value chain strategy, and addresses the strategic choices regarding which standards and certifications to adopt.

Questions to consider in using this tool

- Does the market value products that are certified or meet certain standards? Is there a price premium that justifies their production?
- To what degree do standards and certifications add value to the product or service?
- Is there a differentiated market and can it be exploited profitably?
- Are the value chain actors aware that market demand exists for standards and certifications, and of the nature of the requirements to meet these benchmarks?
- Which specific standards and certifications will provide the greatest reward to the value chain?
- What is the likelihood of sustainability of becoming certified? Is the certification likely to continue to exist in the same form and can firms/value chains afford to remain certified?
- Are standards and certifications available at reasonable costs?
- To what extent are certifications dependent upon other value chain actors?
- Can certification be done in-country?

Reasonable assumptions and preconditions for implementation

- Certifications will remain relevant over time.
- Implementing standards and certifications will allow firms throughout the value chain to capture additional value.
- There are no insurmountable regulatory barriers that would impede the implementation of standards and certifications (e.g., markets that guarantee a single price).
- A secondary market exists for sub-standard products – lowers the risk for products that do not meet the requirements of the standard.

Specific option sets for implementing the tool

- Price incentives to encourage investment in meeting standards and certifications' requirements.
- Promote the value of standards to value chain actors (and to consumers, to create demand-pull).
- Provide information to businesses about the benefits of certified products.
- Remove regulatory barriers that create barriers for standards and certifications.
- Pilot or demonstration efforts.
- Training of businesses in standards and certifications and of standards and certifications providers.
- Linking certified producers with uncertified producers for knowledge sharing.
- Embedded services through lead firms.
- Certification services.

Specialized resources for implementation

- Market analysis.
- Industry and market channel experts with knowledge of standards and certifications' requirements.
- Inspection and quality management.
- Expertise in production re-engineering.

Expected business response

- Increased use of pricing mechanisms to reward higher grades of product.
- Producers and businesses actively looking to become certified.
- Service providers available for inspections and certifications.
- Greater collaboration between buyers and suppliers in the promotion of the value chain's standards and certifications to the market.
- Potential adopters of standards and certifications are looking more closely at market demand and market's specific requirements.
- Launching of new buyer-supplier relationships (as more suppliers become certified they become more attractive as partners).
- Increased vertical and horizontal integration to achieve the scale and control needed to improve quality and implement certification mechanisms.
- Changes in business processes to adopt certification.

Understanding the results – How do you know it is working?

- Increased number of certified producers.
- Increased number of local service providers supporting the value chain in achieving standards and certifications.
- Developed new markets/business linkages because of certified products.
- Increased sales, especially to differentiated markets.
- Increased value-add due and/or unit prices resulting from meeting standards and certifications.
- Tiered markets, reflecting prices for products of varying grades.
- Product or process differentiation/branding.
- Increased exports as products now meet regulatory and other requirements of importing countries.
- Further interest in certifications.
- Increased investment in capital assets (in order to upgrade and meet standards).
- Higher quality products and processes.
- Increased value chain knowledge of markets, market requirements and market channels.
- Closer buyer-supplier linkages.

Tool 10: Identifying Needed Support Services for the Value Chain

This approach suggests ways to improve the breadth and depth of supporting services offered to the value chain, taking into account their potential for commercial sustainability. It examines the range of services that can add value and strengthen the value chain, as well as the mechanisms through which services are delivered. The approach also examines value chain mapping as a tool for identifying needed services, such as financial services, input provision, standards and certifications, inspections, etc.

Questions to consider in using this tool

- Which services currently support the value chain and how efficient and sustainable are they?
- Which services are currently absent that would contribute to the value chain's competitiveness?
- What is the current quality of the inputs/service providers?
- What areas are weakest in the value chain that would particularly benefit from improved or new services?
- What is the quality and cost of existing services?
- Are sufficient economies of scale available (horizontal linkages, numbers of possible clients, associations) to justify the service?
- Are the value chain actors convinced of the value of the service?
- How well does market information flow to value chain actors?

Reasonable assumptions and preconditions for implementation

- Specific elements of the value chain that can be improved by accessing new or improved services.
- There are currently services that are either absent from the value chain, under-performing, underutilized, are of poor quality, or are too costly.
- Value chain participants will find value in the services and will be willing to upgrade operations in response to service provision.
- New services will be self-sustaining (possibly after an initial period of subsidy).

Specific option sets for implementing the tool

- Mapping and benchmarking the value chain to identify gaps or areas where services could be beneficial.
- Feasibility analyses to identify practical and profitable services based on value chain need.
- Business plans to provide roadmaps for service start-ups and determine their sustainability.

Specialized resources for implementation

- Value chain analysts to conduct mapping, benchmarking and gap analysis to identify needed services.
- Business plan experts.

Expected business response

- Stakeholders are working to understand weaknesses within current value chain by comparing the value chain with good practice examples.
- Firms seeking services that could be useful in improving business and value chain performance.
- Private investment and new businesses to provide new/improved services. Lead firms also provide more services on a contract or embedded basis.

Understanding the results – How do you know it is working?

- Benchmarking and gap analysis conducted that identify services that would benefit the value chain.
- Existing and new service providers emerge to provide the services.
- Participants are eager to receive the services and improve the value chain by incorporating the services.
- Increases in horizontal linkage or integration to access services that are seen as valuable.
- The service business models are seen to be effective for the value chain and profitable for the provider. Additional private firms are attracted to invest in replicating the service provision models.

Tool 11: Improving the Operating Environment by Promoting Public-Private Dialogue

This approach suggests public-private dialogue as a mechanism for enhancing the value chain's enabling environment, especially by removing constraints or encouraging new services or infrastructure. It considers the elements of implementing public-private dialogue, and provides a checklist of issues to address at each stage of the process. The tool describes structures through which public-private dialogue can take place, and distinguishes between the characteristics of effective and ineffective dialogue.

Questions to consider in using this tool

- What is the nature of public-private dialogue (including frequency of communication, whether it is antagonistic or productive, how informed it is, etc.)?
- How are discussions carried out? Is there any involvement by the private sector in setting the agenda? Is it co-managed, or is it largely run by the public sector?
- What kinds of forums exist for public-private dialogue (PPD) and joint decision-making?
- How open to reform is the public sector?
- Does the private sector make its case well?
- How supportive is the current operating environment to competitive business strategy and operation, and to new investment?
- What goals and objectives do the public and private sectors have in common?
- Are there public and private sector champions for competitiveness, reform and dialogue?
- To what degree is policy-making centralized (national government) or de-centralized (local government)?
- To what extent can the NGO sector/civil society organizations serve as an interlocutor between the public and private sectors?

Reasonable assumptions and preconditions for implementation

- Existence of a vibrant private sector (private businesses rather than state-owned enterprises).
- Private sector willing to speak out about the challenges and forgone opportunities because of current regulations.
- Private sector is or can be organized to engage in effective dialogue (e.g., through value chain stakeholders groups).
- A government that is willing to engage in meaningful dialogue with the private sector.
- Opportunities exist that can be achieved via policy improvement.

Specific option sets for implementing the tool

- Working through a value chain stakeholders group, business or industry association, confederation, etc. to help create and/or promote PPD.
- Create or support value chain or sector management associations, task forces, companies or other bodies that would facilitate PPD.
- Inform the dialogue with good and credible data and analysis.
- Workshops or forums that bring together businesses and government representatives to speak about the regulatory, infrastructure or other reforms that would improve value chain competitiveness.

- Identification of and exposure to international best practices, and comparison with the current situation; benchmark data to use as a basis of comparison.
- Quantify the opportunity costs of the current situation and the benefits of the possible results.

Specialized resources for implementation

- Public-private dialogue specialist/facilitator.
- Research and benchmarking support.
- Technical expertise to assist in defining and implementing reforms.

Expected business response

- The private sector is active in forming and participating in structures through which dialogue can take place.
- The private sector analyzes regulatory, infrastructure and service barriers, and the costs they impose.
- Private and public sector jointly prioritize issues and actions that could improve the value chains' competitiveness.
- Formation of a critical mass of enterprises, producers, associations, etc. supporting change.
- Success of reforms encourages investment, entrepreneurship and innovation.

Understanding the results – How do you know it is working?

- Increased trust and collaboration among firms, and between the private and public sectors.
- Creation of membership–based organizations with a policy agenda.
- MOUs between public and private sector.
- Public sector willing to engage with private sector and to develop policies friendly to the business community, as measured by a number of reforms (policy change) and service/infrastructure achieved.
- Improved ranking in international business environment indices (World Bank's Doing Business, etc.).
- Changes in regulations, procedures, legislation.
- Public and public-private investment in services and infrastructure.

Tool 12: Achieving Synergies through Clustering

This approach examines the development of cluster-based relationships as a mechanism for enhancing value chain competitiveness. It provides a systematic approach, using analytical tools and collaborative mechanisms, to examine factors that contribute to specific value chain competitiveness and ways that those sources' competitive advantage can be upgraded. The tool builds upon the relationship between value chains and clusters, and suggests a five-phase approach to building cluster relationships. The tool also identifies a system for evaluating the success of cluster-based initiatives.

Questions to consider in using this tool

- What is the stage of cluster development that involves the target value chains?
- What specific benefits and synergies can be anticipated by using a cluster-based approach?
- To what degree are potential cluster participants prepared to collaborate?
- What local entity will drive the cluster process once the facilitator is gone?
- Which institutions, businesses, or services are missing from the cluster?
- Is there a monitoring and evaluation mechanism in place to track results?
- Are proposed interventions sustainable?

Reasonable assumptions and preconditions for implementation

- Clusters or sector base already exists (they should not be created from scratch).
- With proper facilitation, value chain participants will be cooperative in the cluster approach.
- There is geographic proximity between value chain participants, enabling them to interact frequently, and both informally and formally.
- Proprietary competitive information does not necessarily need to be shared in order that the cluster initiative is successful.

Specific option sets for implementing the tool

- Clusters are not made; their participants are encouraged to pursue common interests. The following types of members can serve as entry points to cluster organization:
    - Lead firms,
    - Associations,
    - Universities, and
    - Strategic working groups (SWOGs) that are jointly supported by both public and private sectors.

Specialized resources for implementation

- Cluster/competitiveness facilitators.
- Industry-specific expertise.

Expected business response

- Collaboration among value chain participants to develop cluster relationships.
- Sharing of information, including information that may have previously been considered "sensitive."

- Participants seek specific market information, business environment information, etc.
- Participants develop and implement a cluster strategy.

Understanding the results – How do you know it is working?

- Local initiatives to improve competitive factors targeted to improved value chain productivity and competitiveness, and to attracting investment in targeted value chains.
- Public-private initiatives to improve cluster and value chain competitiveness.
- Increased value chain productivity, value added, sales.
- Skill providers increasingly able to meet the skill needs of businesses in the participating value chains.
- Cluster-based strategies and implementation to address constraints to cluster and value chain performance.

Appendix A: Tools Presented in "Building Competitiveness in Africa's Agriculture: A Guide to Value Chain Concepts and Applications"

Theme One: Designing Strategies and Business Plans — Obtaining and Using Information

Tool 1: Choosing Priority Sectors for Value Chain Interventions
This tool is designed to help practitioners consider: Which are the priority value chains? Which ones should be supported? Why does comparative advantage matter, and how can it be assessed? How should public, private, and collective perspectives and interests be harnessed?

Tool 2: Designing Informed Strategies Across the Value Chain
Offers analytical methods for understanding the value chain and integrating the information into sound strategy along various points of the chain.

Tool 3: Conducting Benchmarking and Gap Assessments of Value Chains
Describes how to measure and compare a value chain's performance (whether in relation to itself, similar value chains, or to best practices) as a means of gaining insight into appropriate strategic choices.

Theme Two: Developing Robust New Businesses

Tool 4: Upgrading and Deepening the Value Chain
Explains how to move the value chain in new directions that may add efficiency, improve product quality, add new operations, and more.

Tool 5: Identifying Business Models for Replication
Focuses on opportunities to implement sound business models repeatedly within a value chain. The ability to replicate these business models is useful in increasing value added volumes, intermediation, and access to service and inputs.

Theme Three: Supplying the Market — Aligning Supply to Match Market Opportunity

Tool 6: Capturing Value through Forward and Backward Integration
Explains how vertical integration can help businesses ensure supply or otherwise control inputs, capture more value, achieve economies of scale, and/or ensure access to information.

Tool 7: Horizontal Collaboration – Creating and Taking Advantage of Economies of Scale
Provides approaches to create economies of scale that help to increase production, ensure quality, improve access inputs, and achieve more market power.

Theme Four: Reaching the Market — Market Positioning and Market Opportunities

Tool 8: Positioning Products and Value Chains for Greater Value and Competitiveness
Describes how competitiveness positioning considerations can enable businesses to choose wise, market based value chain business models and provide strategic direction to many value chain actions to improve competitiveness.

Tool 9: Applying Standards and Certifications to Achieve Greater Quality
Describes how meeting (and exceeding) the quality and performance standards of desired markets can help achieve entry, market share, and higher unit values for a value chain's products.

Theme Five: Improving the Business and Policy Environment

Tool 10: Identifying Needed Support Services for the Value Chain
Discusses how improving the depth and breadth of services offered to a value chain can help member firms to be commercially sustainable and improve operations.

Tool 11: Improving the Operating Environment by Promoting Public-Private Dialogue
Describes how value chains can improve their operating environments by engaging the public sector and other actors in effective public/private dialogue.

Tool 12: Achieving Synergies through Clustering
Demonstrates how cluster-strengthening and cluster-development initiatives can help value chain participants achieve results that may not be accomplished through emphasis solely on core value chains.

Theme Six: Monitoring Results in Value-Chain Development

Tool 13: Monitoring Achievements in Value chain Performance
Explains how monitoring and evaluation methods can help value chain participants track implementation progress, evaluate value chain performance, and identify the impacts of initiatives.

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