*Program Design Process*

***(1) Select (2) Analyze (3) Identify (4) Market (5) Identify Economic Sector Solutions/ Assessment Program Sector Services of Solutions Inter-***

***/Services ventions***

Frameworks: Frameworks: Frameworks:

* competitiveness • subsector analysis • BDS Markets Analysis
* etc. • ***value chain analysis*** • commercial viability
	+ etc. • etc.

Action for Enterprise: SEEP Pre-Event Presentation 2

*Value Chain Analysis*

SEEP Network Annual General Meeting Pre-Event Workshop:

Oct 25-26, 2004

Presented by:

Frank Lusby and Henry Panlibuton Action for Enterprise (AFE)

*Subsector and Value Chain Analysis*

value chain analysis is *complementary* to subsector analysis

provides additional analytical elements that can improve the program design process

builds on the foundation of a subsector analysis framework

Action for Enterprise: SEEP Pre-Event Presentation 4

*Presentation Outline*

1. What is Value Chain Analysis?
2. How to gather Value Chain information?
3. Why is Value Chain Analysis important?

Action for Enterprise: SEEP Pre-Event Presentation 3

***What is a Subsector?***

*Definition*:

* range of activities required to bring a product or service to the final consumer
* includes producers, processors, input suppliers, exporters, retailers, etc.
* includes both vertical and horizontal linkages
* can be defined by a particular finished product or service
	+ e.g. wood furniture, green beans for export, etc.

\*\* *the same definition can be applied to Value Chains*

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*Subsector and Value Chain Analysis*

*Services/Solutions to upgrade MSEs*

*Value Chain Analysis Subsector Analysis*

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1. Subsector mapping
	* graphic presentation of inter-relationships;
	* can help to identify participants to interview

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*Elements of Subsector Analysis*

1. Understanding Product Markets and Market Trends
2. Relationships between Participants
	* describes functions, participants, and relationships among participants
3. Identification of Constraints and Opportunities
	* including: technology, market access, organization, policy, finance, input supply, etc.

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International Export Market

Regional Export Market

*Elements of Value Chain Analysis*

1. Geographic Coverage
	* value chain analysis reviews activities at all levels (national, regional, global)
2. Global Benchmarking
	* benchmarking (with competing countries)
	* learning from buyers
	* use of star diagrams

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**Baskets (for Export) Subsector Map**

Export Regional Export Agents Export Traders Companies

Trading Broker Subcontractors

Production Production

Subcontractors Individual Producers

1. Inter-firm Cooperation
	* level of cooperation among participants in value chain
	* degree of interaction (beyond buying and selling)
	* structure of transactions (e.g. subcontracting, etc.)
2. Governance
	* who decides what is produced?
	* how are the rules of trade determined?
	* what is the nature of relationships between participants?

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**FOOTWEAR**

***Performance Comparison: India – Italy***

**Quality**

**5**

**4**

**Innov Design 3 Price**

**2**

**India**

**1 Italy**

**0**

**Flex Large Orders Resp Time**

**Flex Small Orders Punctuality**

Source: *Learning From Global Buyers*; H. Schmitz, P. Knorringa (IDS)

Hierarchy

– vertically integrated enterprise that controls various functions along value chain

\*\* *Type of governance may vary within different parts of a single value chain*

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*Types of Value Chain Governance*

Market-based

* “arm’s length” transactions between buyers & sellers
* little or no formal cooperation among participants

Balanced

* fairly equal decision making among participants
* cooperation but no one dominates

Directed

* controlled by firm(s) who determine product specifications, trade rules, etc.

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*Small Group Exercise*

Break-out into five groups of 5-6 people each Read the value chain case

Discuss and answer the following questions:

* what type of governance structure does it have?
* what are the advantages or disadvantages to this governance structure?

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*Value Chain Governance Structures*

Market Balanced Directed Hierarchy

*(Tomatoes) (Organic Coffee) (Export Crafts) (Cut Flowers)*

Buyers Buyers Integrated Firm

**Price**

Suppliers Suppliers Suppliers

Source: *The Governance of Global Value Chain*; Gereffi, Humphrey, Sturgeon

Major Buyer

*Program Design Process*

***(1) Select (2) Analyze (3) Identify (4) Market (5) Identify Economic Sector Solutions/ Assessment Program Sector Services of Solutions Inter-***

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*Subsector and Value Chain Analysis*

Governance

Inter-firm Market Trends

Cooperation

Global *Services/Solutions* Relations Among Benchmarking *to upgrade MSEs* Participants

Geographic Subsector

Coverage Mapping

Constraints & Opportunities

*Information Gathering & Compilation*

1. Review Available Data
2. Develop Initial Map
3. Gather Primary Data

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*Presentation Outline*

1. What is Value Chain Analysis?
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*Develop Initial Map*

Mapping Steps

* identify final markets
* identify key functions/activities
* identify participants performing each function
* map participants according to functions they perform
* map inter-relationships between participants

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*Review Available Data*

***Where can you get data on subsectors/value chains?***

studies and reports

– government, donors, development projects, etc.

web-based research etc.

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*Gather Primary Data*

guided interviews with key informants and value chain participants

focus group discussions stakeholder meetings

\*\* *specific details of these tools will be presented at the Tools Workshop (Day 2)*

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*Milk Subsector/Value Chain Map*

Rural Consumer Urban Consumer

(10,000) Poor (145,000) (90,000) (10) Rich

Retailing Caterer/Hotel Small Retailer Large Retailer

Wholesaling

Small

Large/ Dairies

Processing Medium Dairies (20)

(10)

Pastuerizing Cooling

Collection/ Bulking

Production

***Channel 1 Channel 2 Channel 3: Pasteurized Channel 4: Milk Raw Milk Prod.***

Medium/Large Dairy

Farmers (2,000)

Smallholder Farmers

(625,000)

Farmer Groups

Traders

(5,000)

Hawker/Milkbar

*Value Chain Analysis can help to…*

Reveal *links* between producers, exporters and global markets

Identify *constraints* all along the chain to competing in the marketplace

Clarify the *relationships* in the chain from buyers to producers

Highlight the distribution of *benefits* among buyers, exporters and producers in the chain

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*Presentation Outline*

1. What is Value Chain Analysis?
2. How to conduct value chain analysis?
3. Why is value chain analysis important?

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*Program Design Process*

***(1) Select (2) Analyze (3) Identify (4) Market (5) Identify Economic Sector Solutions/ Assessment Program Sector Services of Solutions Inter-***

***/Services ventions***

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*Link to MSE development*

understanding of value chains increasingly important for MSE development

USAID/AMAP Hypothesis

* greater integration of MSEs into value chains can contribute to:
	+ improved enterprise performance,
	+ household well-being, and
	+ growth and competitiveness of value chain

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*Value Chain References and Links*

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*Learning From Global Buyers*

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