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# Promotion of Value Chain Development

## An Introduction





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## What Value Chains are about #1



The Value Chain is a **business-oriented** approach, which aims at capturing the best value **at all stages of production, processing and trading,**

from farmers  
through traders, processors and retailers  
up to the final consumer.

The better all partners in a Value Chain cooperate, the higher will be the **value generated** for the individual actor at every stage of the Value Chain.



# Value Chain – a definition

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***“Value chain” means....***

- the **sequence of productive processes (functions)** from the provision of specific inputs for a particular product to primary production, transformation, marketing and up to final consumption
- an **institutional arrangement** linking and coordinating producers, processors, traders and distributors of a particular product
- an **economic model** which combines the selection of a product and the appropriate technology with a particular way of organizing the actors in order to access the market



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## Value Chains – Expectations of Actors

**For producers it is the expectation of better income through**

- improved market access (marketing)
- improved/ wider product offer (value addition)

**For processors/ exporters it is the expectation of**

- access to more reliable and improved raw materials (supply)
- improved/ wider product offer (value addition)
- access to more reliable distribution channels (marketing)

**For consumers it is better value for money through**

- wider choice of better products
- healthier food at affordable prices



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## New framework conditions for economic rural development

Changing international markets result in  
**emerging, although limited market opportunities ...**

... but could lead to  
**increased business risks** for developing countries'  
Value Chains due to increased competition  
in domestic, regional and international markets.

... and will possibly result in  
social and regional disparities of economic growth  
and the risk of **marginalisation of the poor.**



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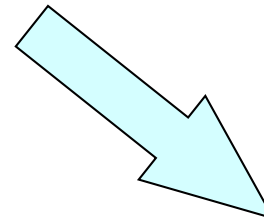
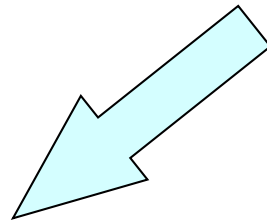


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# Dimensions of pro-poor growth

**“Pro-poor growth”**

**= greater employment and income of poor people**



**Economic growth**

**= greater *volume* sold,  
*higher value* products  
 (“the cake grows”)**

**Poverty alleviation**

**= the poor benefit at least  
equally or above average  
from the income generated  
(poor get their “share of  
the cake”)**





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## Principles of the Value Chain approach



- (1) Evaluate opportunities from the market perspective by assessing **consumer demand** as the **starting point** for Value Chain Development.
- (2) Value Chain actors access markets in a **joint effort**.
- (3) Take advantage of **value addition** potential to supply competitive products



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## Objectives of Value Chain Development

### Make (agricultural) markets more efficient through

- overcoming highly fragmented marketing relations
- improving access to services, information and inputs
- building trust among Value Chain stakeholders

### thereby:

- reducing currently high transaction costs (market research, transport & logistics for distributing goods from farm to consumer)
- reducing wastage rates and assure product quality from post-harvest up to the consumer's table
- creating an environment for changing attitudes and giving incentives for investing into necessary innovations

in view of

**increasing value added and income at every stage of the VC.**





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## Competitiveness – key to achieving objectives

...to seize market opportunities and face the risks of increasing international competition.



Competitiveness means:

- **clear demand orientation** since only a product that consumers buy translates into income.
- **efficient production, processing and trade linkages** to avoid uncompetitive high costs of the final product.



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## Competitiveness #2:

### Efficient production, processing & trade linkages mean...

- **Farmers, traders and processors** have to improve productivity, manage costs, reduce losses and cooperate more efficiently etc.
- **Public and private institutions** have to improve their services through better demand-orientation and innovative approaches.
- **Public authorities** have to ensure enabling legal, political and administrative framework conditions.
- All private and public stakeholders have to rethink and adjust their relations including **business attitudes, social responsibility** and **social cohesion**.



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## Competitiveness #3

The **Competitiveness** of a Value Chain depends on **trust, cooperation and communication** between all actors



The strength of the entire Value Chain depends on the **performance of every single partner** in the Value Chain.

**The competitiveness of the final product** corresponds to the **capacities of the weakest link** in the Value Chain.



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## Rationale of Promoting VC

### *Contribution of the VC approach to development*

- **Economic viability / sustainability:** Funding of private (as well as public) services out of the VC income
- **Creation of linkages / economic structure:** Economic development is conceived as increasing division of labour & cooperation between actors (*systemic competitiveness*)
- **Coordination of public and private roles:** Combining entrepreneurial development at the micro level (*actors*) with institutional change at the meso- and macro levels (*facilitation*)
- **Self-reliant development:** Focus on *facilitating* of economic development process building on own initiatives (*of actors*)



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# The VALUE CHAIN SYSTEM for increased competitiveness

- Input suppliers, farmers, brokers, processors, retailers and consumers  
⇒ **micro level**
- Public and private service institutions offering demand-oriented services to support the actors at the micro level  
⇒ **meso level**
- Public authorities responsible for establishing an enabling environment for Value Chain Development (legislation, administrative procedures, infrastructure etc.)  
⇒ **macro level**
- Trust, business attitudes and social cohesion as a precondition for effective and efficient cooperation among all partners  
⇒ **meta level**



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# The Value Chain System – Relevant actors along Value Chains



**micro**



**meso**

**Groups, Associations, Organisations**

**BDS providers, NGOs, Development Partners**

**Technical Agencies, Research, Extension**

**macro**

**Local Government, Providers of Utilities / Infrastructure**

**National Government (Line Ministries) & Public Administration**



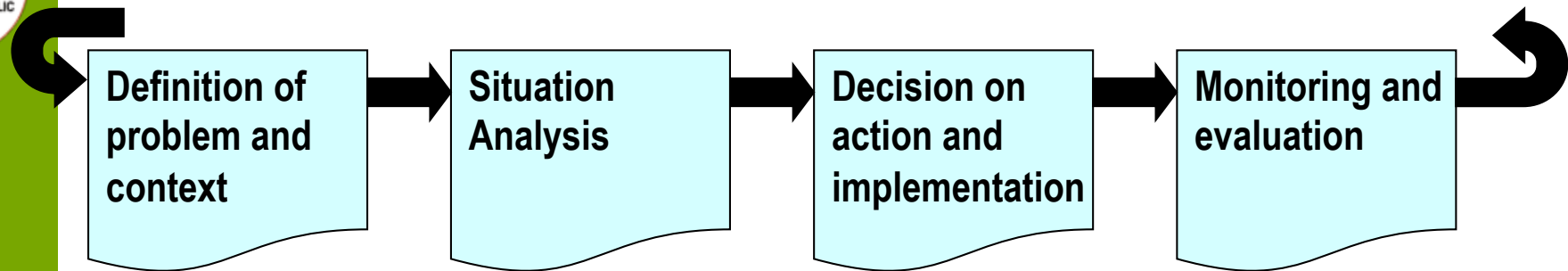
# VC promotion projects

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## *Project Cycle of value chain promotion*

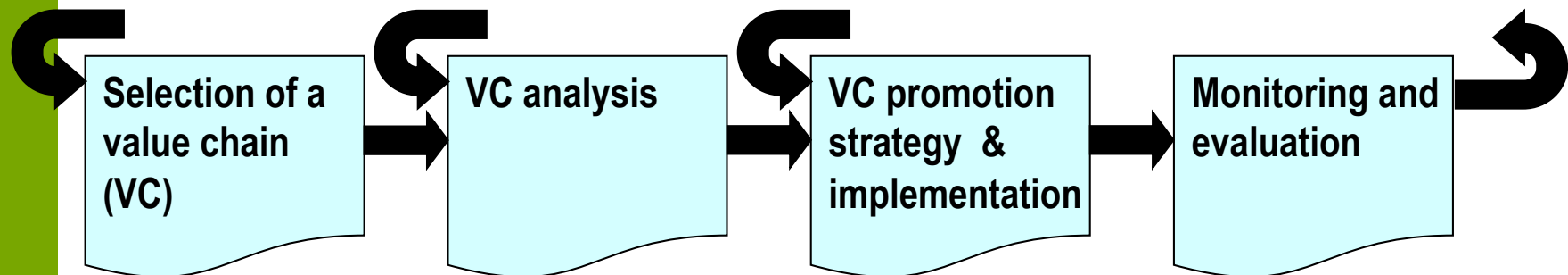


### Generic procedures of the project cycle



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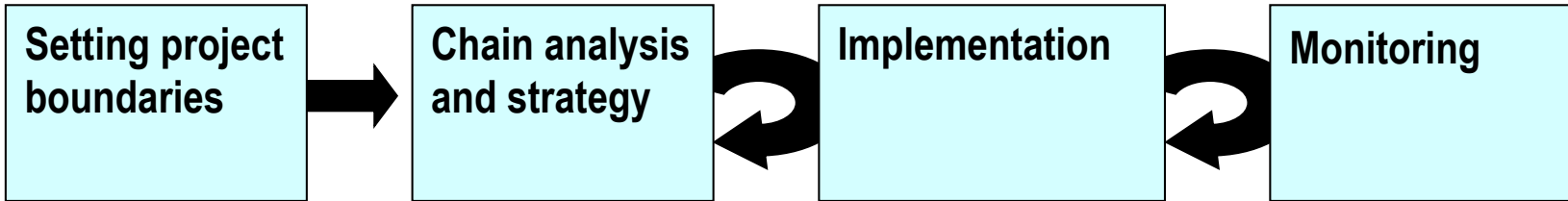
### Project cycle applied to value chain promotion





# ValueLinks Modules

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**0** Deciding whether to engage in chain promotion

**1** Selecting a value chain for promotion

**2** Analysing a value chain

**3** Determining a chain upgrading strategy

**4** Facilitating the chain development process

**5** Strengthening business linkages

**6** Engaging in public-private partnership

**7** Strengthening services in VC

**8** Financing value chains

**9** Introducing social, & quality standards

**10** Improving the biz environment of VC

**11** Monitoring and managing impact

**Obligatory**

**according to priorities**







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## Summary

The development and realisation of an appropriate **Value Chain Development strategy** will contribute to achieving a better competitiveness in local, regional and/or international markets.

The promotion of Value Chain Development will thus translate into increased income for all operators along the Value Chain the creation of employment and consequently **the improvement of the livelihood in rural and urban areas.**



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Thank you  
for your attention !

