



Expanding Opportunities Worldwide

Value Chain Project Design Tool

Step 1

**ANALYZE OPPORTUNITIES &
CONSTRAINTS**

Step 2

DEVELOP A STRATEGY

Step 3

PRIORITIZE ACTIVITIES

Step 4

DESIGN PROJECT

With material drawn from the Value Chain Strategy Design: A Tool for planning by ACDI/VOCA, 2012, with funding from USAID under the Accelerated Microenterprise Advancement Project.

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I. Introduction

Objective: To develop a strategy for prioritizing and implementing changes in value chains.

This tool is intended to help proposal and project teams develop a strategy for prioritizing and implementing changes in value chains. It outlines a process for analyzing opportunities and constraints in the value chain, identifying underlying causes of those constraints, and determining changes needed to address them. This process should result in a set of clearly defined project activities and roles for various stakeholders to implement them, together with capacity building and other complementary actions needed to ensure sustainability of impact. Project activities should meet cross-cutting objectives and reach specific beneficiaries, such as women, vulnerable populations or food insecure households.

Before Starting

This tool assumes that priority value chains have already been selected. It is also essential to have already conducted a review of the primary and secondary data and analytics on the target value chain(s) and to include in this exercise participants who have a thorough knowledge of the value chains in the target country.

After Completing

This exercise is part of a larger project design process. The information outlined through this tool should be vetted with various stakeholders and integrated into a comprehensive project approach that should also incorporate elements such as monitoring, evaluation and learning.

NOTE: This process is iterative. As changes occur in the value chain, in markets or in the enabling environment, parts or all of this design process will need to be repeated. The effectiveness of project interventions should be reassessed at regular intervals and adaptations made to increase impact.

II. Step 1: Analyze Opportunities and Constraints

A. Market Opportunities

1. For the following table, select one of your value chains and determine two or three priority market opportunities.
 - Start with the end markets to look for an identifiable opportunity for growth that would affect large numbers of people and lead to some combination of cheaper, more readily available food and/or increased incomes. Be as specific as possible when identifying the end market.
 - *Sample end markets: the domestic rural market, domestic supermarket chains, diaspora markets in Europe, etc.*
2. Identify any cross-cutting objectives or target beneficiary groups.
 - Consider whether your project will ultimately aim to achieve a particular cross-cutting objective, such as improving nutrition, or reach a special beneficiary group, e.g., women or the very poor. If so, address the implications of the market opportunities on this objective or group.
 - *Sample cross-cutting objectives: food security, nutrition, gender equity, extreme poverty, natural resources management, conflict mitigation, etc.*

CONSIDER: *Dynamics:* How are these opportunities likely to change over time?
Impact: Is this likely to benefit a large number of people?

EXAMPLE

There is a market opportunity for relatively low-cost fortified maize meal in rural areas in the north of the country. Imported fortified maize meal is expensive and supply does not match demand. Fortified maize meal is important for nutrition—particularly for children.

Identify:

- A. market opportunities
- B. key constraints
- C. underlying causes of constraints
- D. changes needed to address constraints to end market opportunities

Priority market opportunities (Explain what it is and why it is important) VALUE CHAIN: _____	Implications for target beneficiaries or cross-cutting objective
1.	
2.	
3.	

B. Key Constraints

On the following table, identify the most important constraints to taking advantage of the promising market opportunities.

CONSIDER: What are the critical services (finance, input supply, research, market information, technology supply, etc.) on which these opportunities depend? Are they weak or missing?

Are there policy or regulatory constraints?

Are any of the relationships between industry actors (including producers) ineffective or adversarial?

Do any of the constraints particularly affect your target beneficiary group or cross-cutting objective?

EXAMPLE

- There are few large-scale mills in the north of the country, and those that do exist are in poor condition.
- There are no national standards or guidelines regarding the type and quantity of micronutrients that should be used to fortify maize.
- There are low levels of trust between producers and buyers in the maize market due to high variation of yields and quality.

Identify:

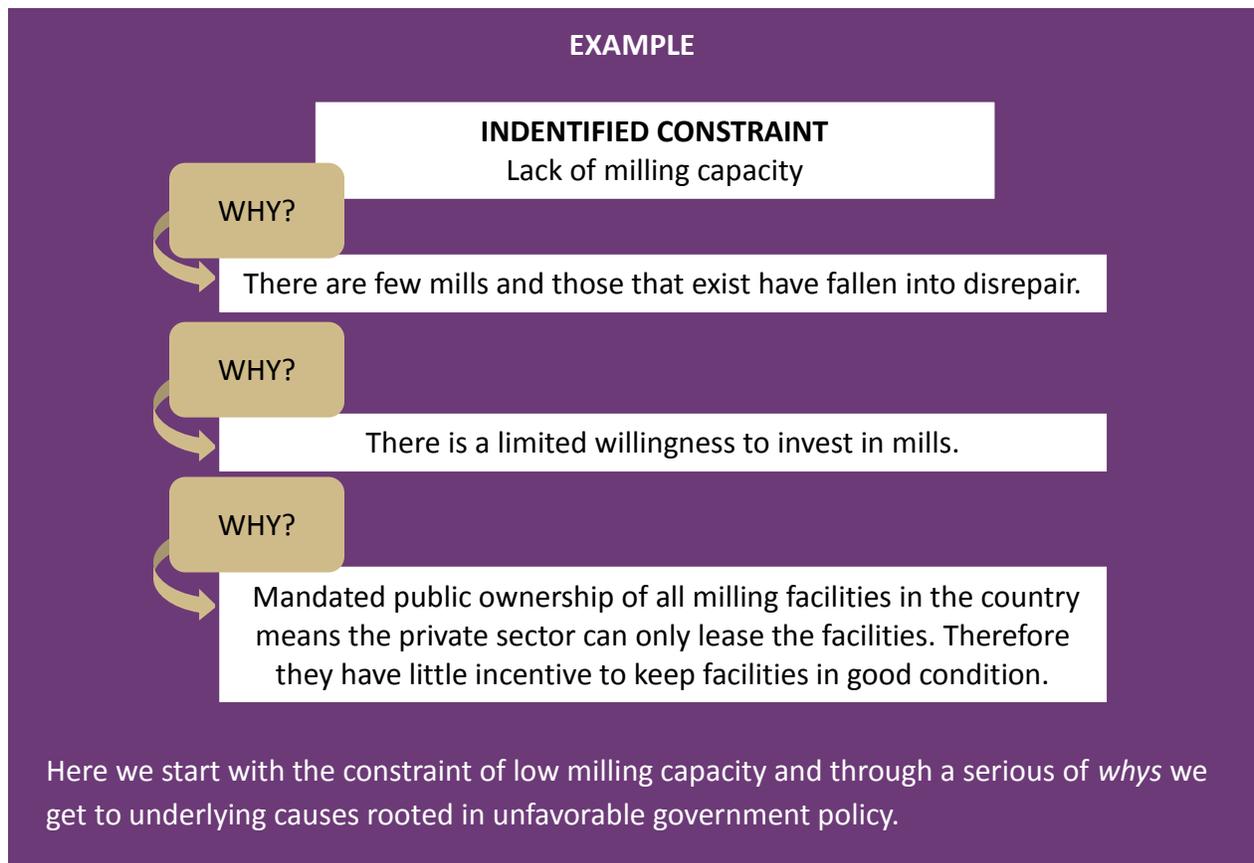
- A. market opportunities
- B. key constraints**
- C. underlying causes of constraints
- D. changes needed to address constraints to end market opportunities

Main constraints to maximizing market opportunities	Implications for target beneficiaries or cross-cutting objective
1. a. b. c. d.	
2. a. b. c. d.	
3. a. b. c. d.	

C. Underlying Causes

Often visible constraints, like those you identified on the previous table, are only a symptom of deeper underlying problems. These underlying causes need to be addressed to sustainably resolve constraints.

1. First identify the immediate causes for the identified constraints.
2. Ask yourself "why" each of the immediate causes occurs. Repeat this step several times until you have identified root causes.
3. Try to rank the root causes in terms of significance and distinguish which issues require urgent action and which need to be addressed over a longer period of time.



Identify:

- A. market opportunities
- B. key constraints
- C. underlying causes of constraints**
- D. changes needed to address constraints to end market opportunities

Underlying causes of the constraint	Ranking of importance or immediacy of root causes
1. a. b. c. d.	
2. a. b. c. d.	
3. a. b. c. d.	

D. Changes Needed

Having determined the causes of constraints to accessing market opportunities that would lead to growth and reduce poverty, you must determine changes needed to address these causes. Some changes might be needed to **enable** better performance in the value chain, and some changes might be needed to create **incentives** for actors to change practices or behaviors.

1. Consider those root causes that you ranked as most important or urgent. For each, identify what needs to change to enable improvements in the target value chain.
 - An *enabling* change will allow value chain actors to access key information, services or products necessary for upgrading.
 - *Sample enabling changes: better access to information about end market quality requirements, increased access to financial services in rural areas*
2. For those root causes that you ranked as most important or urgent, identify what needs to change to incentivize improvements in the target value chain.
 - An *incentivizing* change will motivate value chain actors to improve their performance (e.g., enhanced trust or beneficial policies).
 - *Sample incentivizing changes: reductions in tariffs on inputs, formal contracts to decrease risk, price premiums for quality produce*

CONSIDER: Keep in mind particular constraints affecting your target groups or cross-cutting objectives.

EXAMPLE

- To enable change, better access for producers to high-quality maize inputs is needed to ensure consistent quantity and quality of yields.
- To incentivize change, the government could allow private ownership of storage facilities or create public legislation around food fortification.

Identify:

- A. market opportunities
- B. key constraints
- C. underlying causes of constraints
- D. changes needed to address constraints to end market opportunities**

CONSIDER:

- Access to markets
- Affordable inputs
- Production technologies
- Storage

What changes are needed to ENABLE improved value chain performance?

1. a.
b.
c.
d.

2. a.
b.
c.
d.

3. a.
b.
c.
d.

Identify:

- A. market opportunities
- B. key constraints
- C. underlying causes of constraints
- D. changes needed to address constraints to end market opportunities**

CONSIDER:

- Policies
- Trust / cooperation
- Price premium paid for quality

What changes are needed to INCENTIVIZE improved value chain performance?

1. a.
b.
c.
d.

2. a.
b.
c.
d.

3. a.
b.
c.
d.

III. Step 2: Develop a Strategy

The next step is to develop an overarching strategy for the long-term development of the value chain.

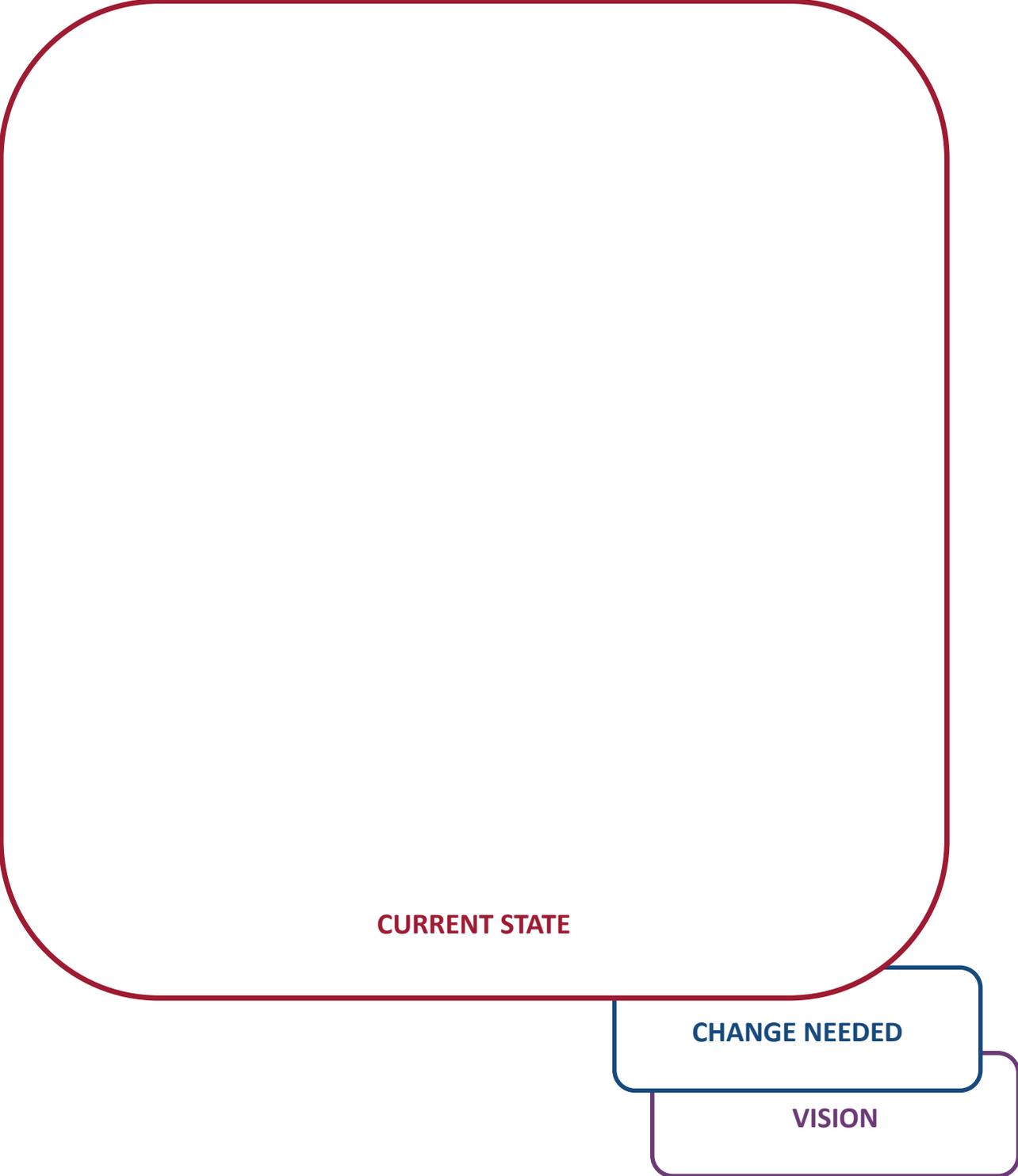


1. Using your opportunities and constraints analysis from Step 1, summarize the current state of the value chain.
2. Next clearly define a future vision of how the value chain should function in 5 or 10 years. Be ambitious but realistic.
3. Finally, identify the “big picture” changes needed to get there. (In later steps, you will determine project activities that can bring about these changes.)



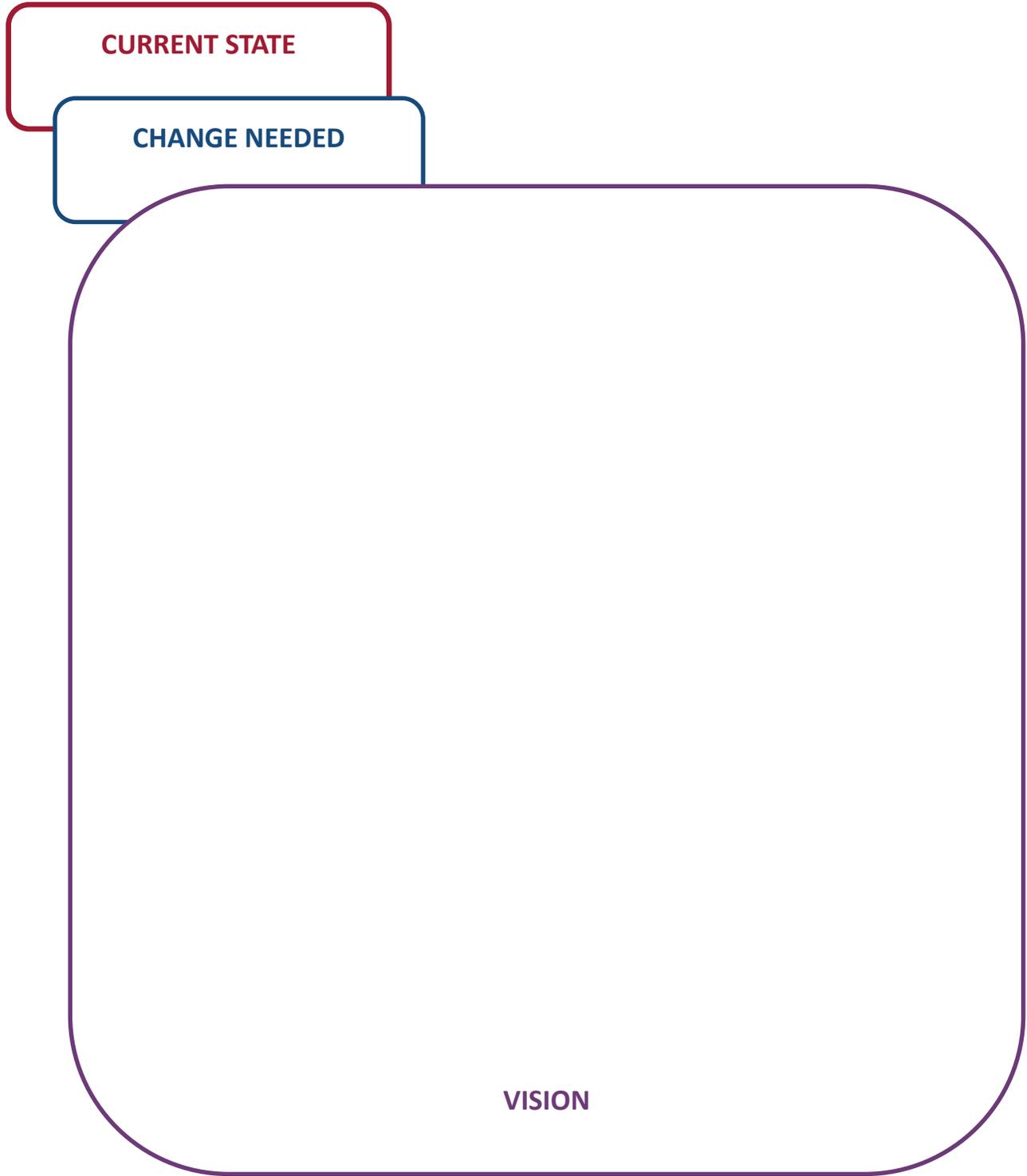
Describe:

- A. the current state of the value chain
- B. the vision for value chain in 5 or 10 years
- C. the changes needed to reach that vision



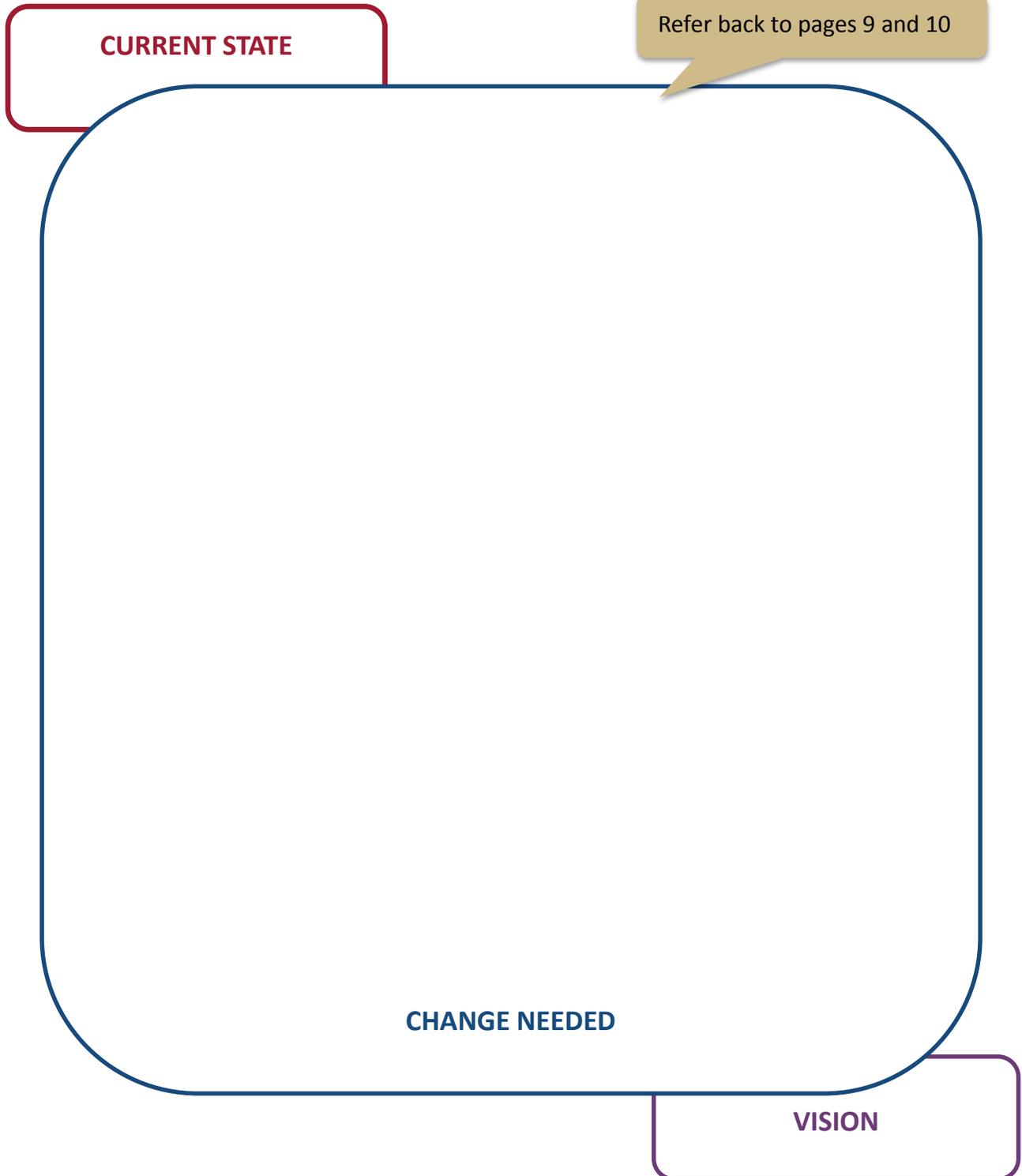
Describe:

- A. the current state of the value chain
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- C. the changes needed to reach that vision



Describe:

- A. the current state of the value chain
- B. the vision for value chain in 5 or 10 years
- C. the changes needed to reach that vision



IV. Step 3: Prioritize Activities

A. Identify Activities

Now you know the current situation of the value chain, where you want it to go (your vision), and what is needed to get there, you can think about specific types of activities to facilitate the process. This will be the foundation of your project design.

Identify two to three solutions or activities to address each change needed. We do not have the resources to do everything, and so later you will prioritize activities. (Leave the ranking column blank for now.) Consider the following—recognizing that you may not yet have answers to all of these questions.

- CONSIDER:** Will the activities address the root causes of constraints? (Refer back to page 7)
- Will they *enable* and *incentivize* improved performance by all value chain actors? (Refer back to pages 9 & 10)
- Will they lead to stronger, mutually beneficial relationships between value chain actors? Does everyone benefit as a result of the activity? Are actors who don't benefit likely to undermine the activities?
- Will the activities impact large numbers of people? Can they be scaled-up or replicated? Will other actors copy the activities themselves, once they see the results?
- Will the results be sustainable (i.e., beyond the life of the project)?
- Will the activities actually lead to the desired change (is your logic sound)?

EXAMPLES

- Organizing milling entrepreneurs to build a common advocacy message to local government officials regarding private ownership of milling facilities
- Capacity building of value chain actors, such as training producers on best practices and demonstrating contractual arrangements that improve quality and increase trust between farmers and buyers
- Linking civil society and the public sector to harmonize a nutrition strategy with fortification guidelines

Identify:

- A. activities
- B. convergence and conflict
- C. impact on target group or cross-cutting goals
- D. list of priorities

What project activities will lead to the changes needed to enable and incentivize improved value chain performance?

Change Needed	Activities to Bring About Change	Ranking



Before continuing, return to the beginning of the book and repeat these steps for each of your other selected value chains.

B. Identify Areas of Convergence or Conflict

Addressing an underlying constraint in one target value chain may mitigate a constraint in another target value chain. For example, improving farmer access to inputs may have a positive impact on a number of agricultural crops.

Conversely, activities designed to improve the performance of one value chain could inadvertently have negative results on another value chain. For example, promoting certain cash crops could divert labor away from staple crop production.

1. Looking at the activities identified on page 16 for each of your target value chains, identify any activities that are likely to positively impact multiple value chains.
2. Identify any activities recommended for one value chain that are likely to negatively impact another target value chain.

CONSIDER: Can the activity be modified (or can another activity be added) to prevent negative impacts on other target value chains?

Can the activity be broadened so that it will reduce constraints across more than one value chain?

EXAMPLES

- Encouraging private ownership of milling facilities would improve private sector investment in infrastructure across other value chains (e.g., rice)
- Improving efficiency in maize production could divert labor and other resources away from other value chains

Identify:

- A. activities
- B. convergence and conflict**
- C. impact on target group or cross-cutting goals
- D. list of priorities

CONVERGENCE Activities for one value chain that could <u>POSITIVELY</u> impact another value chain	CONFLICT Activities for one value chain that could <u>NEGATIVELY</u> impact another value chain		
	<table border="1"><thead><tr><th data-bbox="826 1417 1438 1482">Possible resolution</th></tr></thead><tbody><tr><td data-bbox="826 1482 1438 1890"></td></tr></tbody></table>	Possible resolution	
Possible resolution			

C. Identify Impact on Target Beneficiaries or Cross-cutting Issues

1. Looking at the activities identified on page 16 for each of your value chains, identify those activities that are likely to most positively impact your target beneficiary groups or cross-cutting objectives.
2. Suggest ways these activities could be adapted to have a stronger impact on your target beneficiary groups or cross-cutting issues.
3. Taking into consideration the potential for convergence and conflict, and the likelihood of positive impact on your beneficiary group or cross-cutting objective, rank the activities listed on page 16 for each of your value chains.

EXAMPLES

- Adjust capacity building activities so they are held at times and places accessible to women
- Promote intercropping of legumes with the maize to improve soils and encourage better nutrition

Identify:

- A. activities
- B. convergence and conflict
- C. impact on target group or cross-cutting goals**
- D. list of priorities

Target group or cross-cutting objective	Activities likely to have the most positive impact	Ways to strengthen impact on target group /cross-cutting objective

REMEMBER: Go back to page 16 and rank the listed activities

D. Compile List of Priority Activities

1. Look back over your list of activities for each value chain and the ranking you assigned to each one. Compile a “master list” of the highest ranked activities from each of your value chains.
2. Check that your activities achieve maximum convergence across the targeted value chains. If necessary, add new activities that will have positive, system-wide impact.
3. Also be sure to consider whether this new list sufficiently addresses the constraints facing your target beneficiary groups or cross-cutting issues. If not, suggest new activities or ways they could be adapted to achieve the needed impact.

You will use this list in Step 4 to design your project.

EXAMPLES

- Add a component to raise awareness of public health issues
- Identify specific niche markets in the value chain that are receptive to women’s participation
- Include training for landless laborers that work in the sector

Identify:

- A. activities
- B. convergence and conflict
- C. impact on target group or cross-cutting goals
- D. list of priorities**

Value Chain(s)	Description of Activity

V. Step 4: Design Project

A. Identify Roles

Taking one prioritized activity at a time from your list on page 23, identify appropriate roles for the various stakeholders in implementing or supporting this activity.

CONSIDER: Who does? Who carries out activities? What are the appropriate roles for:

- government (e.g., ministries, departments, programs, parastatals)
- private sector (e.g., potential partners, supporters, investors)
- civil society (e.g., NGOs, implementing partners, community groups)
- donors (e.g., projects, influence, coordination), etc.?

Who pays? Where will the funding come from after the project ends?

- How sustainable is the proposed solution?
- How can private sector investment be promoted and sustained (even with changes in government)?
- How will donor funds be applied over the life of project to ensure needed activities continue without financial support?

Who makes/enforces the rules? Who has the power to ensure value chain actors continue to perform in the recommended way?

- How can you ensure the private sector and targeted beneficiaries (women, food insecure households, etc.) participate in setting policies and evaluating program activities?
- How can you ensure the private sector and targeted beneficiaries benefit from value chain changes?
- What is an appropriate role for the government in setting/ supporting/ enforcing the rules?

EXAMPLES

Activity: Establish clear fortification standards and guidelines

- Civil society advocates for and markets the importance of fortification
- Donors support research into proper fortification procedures, which micronutrients to include, etc.
- Private sector provides input to ensure guidelines are cost-effective and realistic, and sufficient demand exists or can be created for the purchase of fortified maize meal
- Government compiles and releases guidelines
- Private sector develops marketing strategies to promote its nutritious product

Identify:

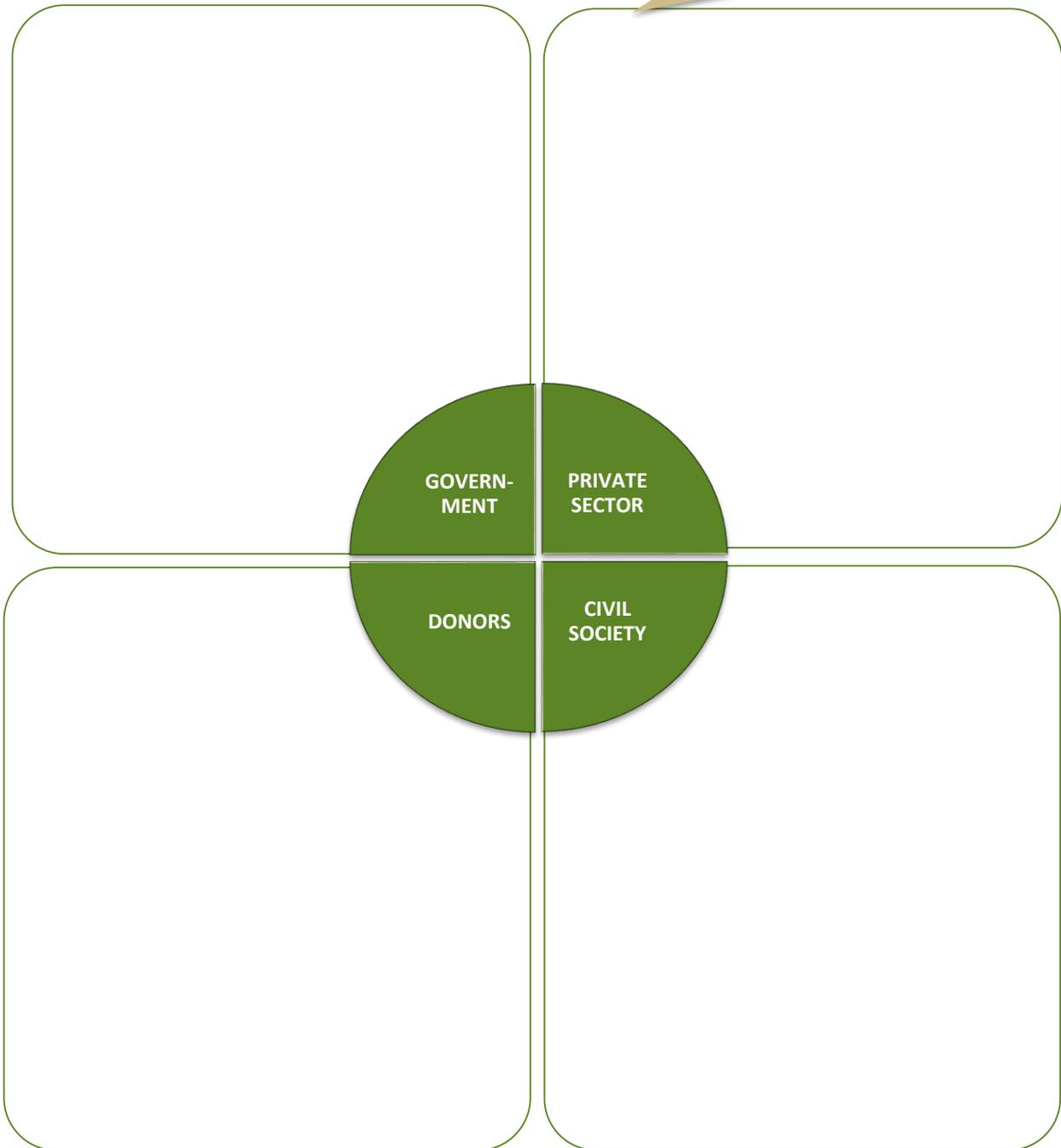
A. roles

- B. requirements for sustainability
- C. complementarity with existing initiatives
- D. programming gaps

CONSIDER:

- Who does what?
- Who pays for what?
- Who makes/enforces the rules?

Activity: _____



B. Identify Requirements for Sustainability

1. Determine whether this activity fulfills a one-time need, or is something that will be required over the long term.

CONSIDER: If it will be needed over the long term, who will do it, pay for it, and enforce the rules for it in the future?

How do we ensure this happens?

2. Look at the roles ascribed to different value chain stakeholders on page 25. Identify any major capacity building needs for key actors to ensure they are able to effectively play their assigned role.
3. Identify any additional activities to ensure sustainability, including changes in roles over time and the phasing out of subsidies.
4. Repeat steps A and B for each prioritized activity.

EXAMPLES

Setting of standards is one-time need; ongoing need to ensure awareness of and meeting of standards

- Build government capacity to monitor and enforce standards
- Build capacity of private sector to develop a marketing strategy
- Provide temporary, partial subsidies to the private sector to offset initial marketing costs
- Encourage private sector to consider an industry-administered quality seal to ensure adherence to standards

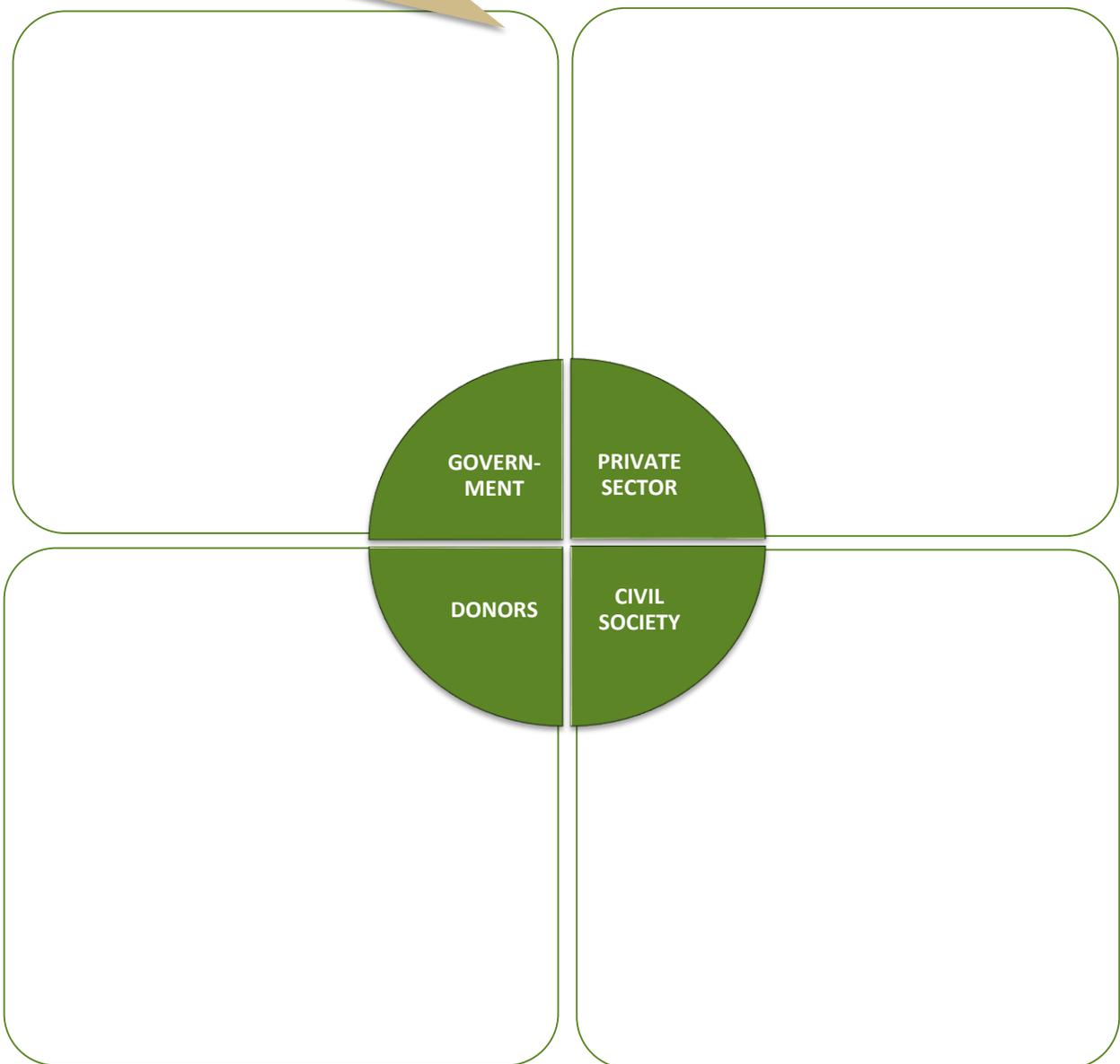
Identify:

- A. roles
- B. requirements for sustainability**
- C. complementarity with existing initiatives
- D. programming gaps

CONSIDER:

- What capacity building is needed?
- Do roles need to change over time?
- How should subsidies be phased?

- One-time need
- Ongoing need



C. Identify Complementarity with Existing Initiatives

For each prioritized activity, with roles for various stakeholder groups laid out in step 4A above, think about existing activities and investments that can be built upon.

CONSIDER: How can we collaborate or coordinate with other donor-funded projects or with government or private sector initiatives?

What change processes can be leveraged?

What additional resources do we need to bring to the table?

EXAMPLE

- The ministry of health currently fortifies small quantities of maize meal for institutional use (at hospitals, clinics, orphanages, etc.) and one NGO has been trying to promote fortification.
- Include representatives from these efforts in the process of establishing new guidelines for maize fortification.
- Research whether it would be more efficient for the ministry of health to purchase the fortified meal it needs from the new private sector suppliers once they have complied with new regulations. This existing demand could stimulate private sector investment in maize meal fortification.

Identify:

- A. roles
- B. requirements for sustainability
- C. complementarity with existing activities**
- D. programming gaps

Prioritized Activities	Existing Projects and Initiatives	Ways to Collaborate or Leverage

D. Identify Programming Gaps

1. What prioritized activities cannot be addressed through collaboration with current initiatives?
2. Outline the parameters of a new project to address some or all of these ideas, considering the following:
 - How would this project address cross-cutting issues such as gender, nutrition and vulnerability?
 - Who would carry out this project?
 - How would this project be funded?

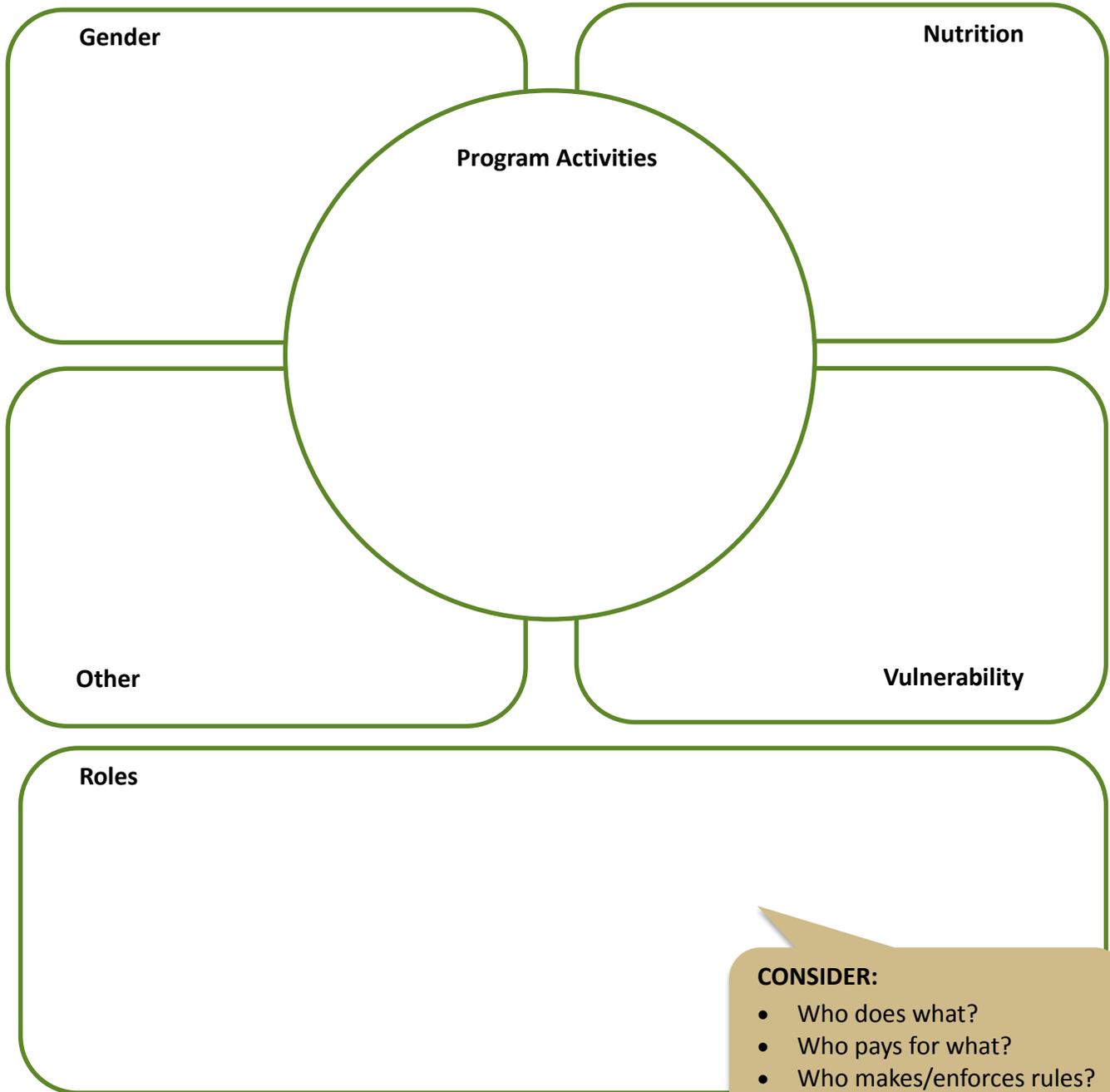
EXAMPLE

- The program already addresses the cross-cutting issue of nutrition. Marketing fortified maize should take into account the characteristics of the household member most likely to purchase it, including his or her gender.
- The activities will be carried out and funded through a combination of government, donor and private sector funds.

Identify:

- A. roles
- B. requirements for sustainability
- C. complementarity with existing activities
- D. programming gaps**

Identified Gap:



VI. Conclusion

By the end of this work book, you should have:

- An analysis of **opportunities and constraints** in the value chain
- An understanding of **underlying causes** for the constraints
- A long-term **vision** of improved performance in the value chain
- A list of **changes** to achieve that vision
- A set of prioritized **activities** that will achieve the desired changes
- Clearly defined **roles** for implementing the activities
- If needed, a focus on particular **cross-cutting issues** or **beneficiary groups** with specific ways to ensure they benefit from value chain activities
- Ideas for collaboration with **existing initiatives** and the parameters for **new projects** to carry out these activities