Tips for Building Flexibility into
Value Chain/Market Systems Development Projects

Market conditions and the contexts in which small firms and farms operate in a value chain are very dynamic, and facilitators need enough flexibility in their program to adapt to these changes. Facilitators need to be open to continual learning, and should employ an "action-learning" strategy that reflects upon lessons being learned and incorporates these lessons into the ongoing process of project implementation. An overly detailed and prescriptive proposal can limit the ability of the implementation team to respond to change and learning. The following are some suggestions of ways to build flexibility into project design and implementation.

1. Introduction

There are many factors that contribute to the performance and success of firms and industries. Some of these factors are predictable and some are unknown. Even those that are predictable can be difficult or expensive to quantify accurately. Furthermore, value chain competitiveness is not a fixed point; rather, it is an ongoing process in response to a constantly changing environment. For all of these reasons, flexibility in project design and implementation is critical to successful outcomes.

When people relate to each other and learn through their interactions, they do so in a non-linear fashion, resulting in a chaotic path of failures, regroupings, and incremental jumps of learning and behavior change. The process of internalizing learning and turning it into new behaviors leading to improved performance is not easily predicted and can often go awry without guidance and gentle redirection from facilitators. Projects cannot and should not assume a simple and predictable progression during design and implementation, and need to build in flexibility to their designs and management systems to scale up what works and scale back what doesn't.

Meanwhile donors often require detailed upfront project designs with pre-established activities and targets in order to justify their program investment. We therefore need ways to achieve the flexibility appropriate to unstable and dynamic contexts whilst also meeting the demands of donors for results that can be predicted in advance of an award.

2. Be Industry-driven

Make it clear in the proposal that value chain upgrading has to be owned and driven by value chain actors, and not by the project implementer.

Project interventions should be designed to support stakeholder-owned upgrading plans, and to leverage such plans to i) stimulate change among other stakeholders and ii) increase the flow of benefits to the poor. To achieve this, we present the results of the value chain analysis to industry stakeholders in such a way that they are able to envision a different, more competitive way of operating. This understanding may be shared by a broad cross-section of value chain stakeholders, or may only be recognized by a few individual firms. For value chains with a single market channel and competition primarily from another country, a single industry vision may be important. For value chains with multiple market channels and domestic-based competition, multiple visions and strategies are likely to be needed. A shared vision serves as a rallying point for stakeholders and implementers, and as an overarching guide to upgrading initiatives.

Using the value chain analysis, we help stakeholders—individually and in groups—to understand that unless they develop and implement competitiveness strategies, they risk losing market share to competing countries or substitute products. Case studies and country benchmarks, the support of industry leaders and careful use of the media can all help to create urgency in the process. Firms and groups of firms need to develop clear roadmaps or action plans to lay out how they will achieve increased competitiveness. The ability of stakeholders to develop strategies and action plans depends on many factors, including the maturity of the value chain and the existence of industry leaders.

Since project interventions are designed to support stakeholder-driven roadmaps, and given the dynamic environments in which most projects operate, it is not possible during the initial project design phase to describe and schedule the details of all value chain development activities that will be required over the life of the project. Activities included should therefore be considered illustrative and subject to change. At a minimum, all activities should be reviewed and revised as appropriate during the annual work planning process.

3. Be Results-oriented

Make it clear in the proposal that we will focus on achieving results, not merely delivering outputs through specific activities.

Goal-focused, less prescriptive projects allow us to maintain the flexibility to change course when needed to achieve desired results. Performance needs to be defined in terms of not only achieving set targets within the project timeframe, but of also facilitating the emergence of a market system that is able to compete and continue growing beyond the life of the project.

Given the experimental nature of many value chain development interventions and the strong emphasis on stakeholder ownership of the upgrading process, we need to be willing to experiment, risk failure and withdraw from value chain activities that are not proving successful.

4. Build Strong M&E and Learning Systems

Stress integrated M&E and learning processes that continually inform implementation decisions.

Based on our deep understanding of the value chain, we pilot interventions that support stakeholders' upgrading plans, reduce risk to private sector investment, and demonstrate the benefits of new market behaviors and relationships. Recognizing the complex dynamics involved in behavior change, we prioritize both formal and informal monitoring to enable us to quickly identify discrepancies between expected and actual outcomes. We promote decentralized learning systems to capture explicit and tacit knowledge, and feed learning back into work planning and implementation processes. We move beyond collecting numbers to a more nuanced investigation of why certain interventions under- or out-perform expectations, why discrepancies in adoption rates exist among beneficiary groups, and what unexpected results are produced. Such analysis informs project strategies, allowing us to scale up successful interventions and adapt or scale back those that are less effective.

Where possible, we finalize the performance monitoring plan and learning questions post-award in collaboration with stakeholders who are ultimately responsible for change within the value chain. The cooperation of such stakeholders is generally essential to data collection efforts for reporting progress towards project targets.

5. Use a Portfolio Approach to Value Chain Selection

Spread risk and allow for responding to emerging market opportunities by selecting multiple value chains at the outset or staggering the selection of value chains over the first 1-3 years.

Projects that select multiple value chains are more able to withdraw from those chains that are not producing the desired results. In addition, we select value chains with diverse risk profiles (price volatility, susceptibility to adverse weather, logistical breakdowns, political risks, etc.) so that the realization of a specific risk in one chain does not undermine overall program progress. Similarly, staggering the value chain selection process over a protracted period of time allows us to take advantage of emerging opportunities in value chains previously unsuited to selection. Also, interventions in one value chain may necessitate activities in an associated value chain (such as intercropped maize and legumes) to maximize impact.

In responding to solicitations where value chains are pre-selected, we advocate for continuous assessment of the target chains to ensure they remain the best choice; and we investigate the possibility of adding chains if significant opportunities emerge. Furthermore, we encourage beneficiaries to maximize the potential of an appropriate mix of crops, and to recognize the relevance of project-supported practices, skills and services across a range of value chains.

6. Avoid Pre-selecting Partners

Competitively tendering for project services during the implementation phase allows projects to direct more work to high-performing partners and sever relations with non-performers.

Often during proposal development there is a scramble to lock in local partners based on second-hand recommendations and preliminary assessments. Where appropriate, instead of pre-identifying partners, we make the case in proposals for issuing competitive tenders during implementation to all qualified organizations. Contracts are for specific, tangible products and services, and payments are based on reaching milestones. This ensures that product and service delivery is both effective and cost-competitive.

When working with private sector firms as project partners and beneficiaries, we allow firms to self-select into the project by setting a precondition to receiving any form of project assistance. The precondition is directly related to the change in behavior being sought by the project. For example, agricultural input firms must use their own funds to conduct promotional events in various communities before being able to participate in a project’s activities to increase agricultural input sales in rural areas.

Self-selection tools are tied to commercial goals, so they have value from the perspective of a serious business. Businesses that are uninterested in taking on risks or are interested in obtaining "free" donor funds self-select out of the program by not performing the action.

7. Establish a Central Pool of Funding

Maintain a line-item in the budget for an innovation or demonstration fund.

Since not all activities can be predicted during the proposal or work planning phases, where possible, we budget for a central pool of funding that can be used to respond to emerging opportunities or constraints. Such funds are used to forward the goals of the project through cost-sharing initiatives to reduce risks, introduce innovations, leverage resources, stimulate private sector investment and mitigate value chain constraints.

8. Continually Adapt to Local Partner Capacity

Adjust expectations of and support to local partners over the life of the project in response to their demonstrated capacity and record of success.

We minimize risk and responsibly build local capacity in several ways. We maintain a broad pool of small grant recipients in the early years of a project, and provide successively larger grants to well-performing grantees. This allows recipients to develop needed skills and disciplines, and provides time to the project implementation team to assess the capacity and trustworthiness of various partners. Similarly, when developing market institutions, such as service providers or producer organizations, we encourage partners to initially make small investments and take on modest responsibilities with appropriate levels of project support, before assuming larger and more complex roles in the value chain.