

Selection of Value Chains for Research and Development



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Learning Outcomes

By the end of this session you should have a good understanding of:

- Criteria that can be used for selection of value chains
- Scoring of value chains, including the use of weights



Discussion

Participants' Experience

Thinking of your previous experience, please indicate which value chains you have conducted research on. Why they were selected for research? What were the chain selection criteria used?



Chain Selection Criteria

1. Research interest and focus, e.g.
 - ✓ contract farming
 - ✓ Market participation of smallholder farmers (e.g. modern retail sector, organic segment)
 - ✓ Export development
 - ✓ Gender issues



2. Socio-economic importance: number of farm households involved; wage employment effects
3. Potential to increase the income of poor households
4. Market size and growth potential
5. Gender impacts, particularly on women
6. Environmental sustainability
7. Alignment with government priorities
8. Level of government and donor intervention



scoring criteria using weights...

Criteria	Sub-criteria (Quantitative and Qualitative Indicators)	Score	Weight
Potential for income impacts	No. farmers, profile of farmers, levels of farm wage employment, self- and wage employment in trading and processing, ex-ante perceptions of potential to increase farm incomes through chain upgrading innovations		?
Market potential	Market size (domestic, international), market growth dynamics, ex-ante perceptions of opportunities for market development (including import-substitution)		?
Potential to benefit women	Current and perceived potential for involvement of women in production, trade and processing		?
Environmental sustainability	Environmental impacts of production/processing activity, perceived scope for mitigating negative impacts		?
Alignment w/ govt. priorities	Government strategies and policies		?
Level of govt., donor involvement	Existing and planned government and donor programmes		

Discussion

There is always an element of subjectivity (judgement) in chain scoring exercises.

Can you think of ways to minimize this problem?



an example, with a focus on chain financing in Myanmar...

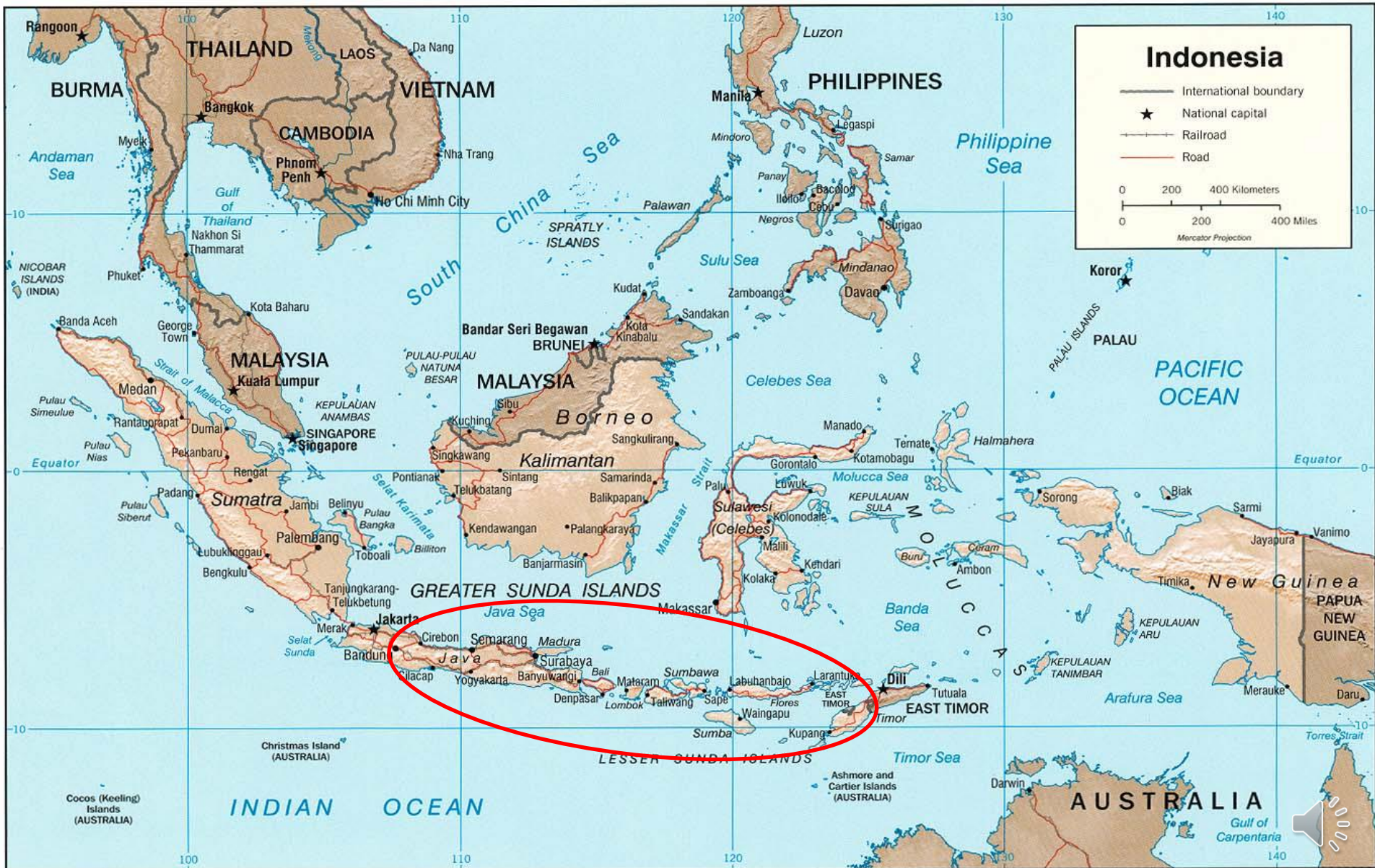
Criteria	Scores								
	Rice	Seeds	Corn	Poultry	Pork	Pulses	Coffee	Mango	Farm Equip
Scale and Growth	4	3	4	4	3	3	1	3	4
Level of Organization	4	5	4	4	3	4	2	3	4
Risk	3	5	3	4	3	3	2	2	5
Bankability	3	5	3	5	4	3	1	2	5
Total Score	14	18	14	17	13	13	6	10	18
<i>Rank</i>	4	1	4	3	6	6	9	8	

an example, with a focus on chain financing in Myanmar...

Criteria	Guiding questions
Scale and Growth	<ul style="list-style-type: none">• Is the value chain big enough to support enough volume for the financial institution?• Would the average loan size be attractive to a bank?• Is the value chain expected to grow, or at least stay the same?
Level of Organization	<ul style="list-style-type: none">• Are there organized farmer cooperatives or groups?• Are there apex input dealers and/or crop buyers?• Are the distribution and marketing systems well developed?
Risk	<ul style="list-style-type: none">• Are price and production volatility low enough that the risks are acceptable?• Are there mechanisms for offtake and/or price agreements?
Bankability	<ul style="list-style-type: none">• Do value chain actors own collateral?• Is there a variety of financing opportunities (e.g. working capital, PP&E, factoring, trade finance,...)



an example from Indonesia (EI-ADO)...



an example from Indonesia (EI-ADO)...

Initial identification of 32 commodities

Reference Group selected 16 commodities

Consultation of Provincial and Reference Group
for commodity prioritization criteria

Selection of 5 priority commodities for detailed
chain studies



Criteria	Weighting	Rationale
Poverty alleviation and sustainability of the economic activity	60%	
1. Is there potential to reach large numbers of poor households in production and post-production?	30%	AIPD Rural goal to reach one million poor male and female producers in EJ, NTT and NTB over 10 years
2. What is the potential to sustainably increase income for producers?	30%	AIPD Rural goal is to increase incomes of poor male and female producers by 30% over 10 years
3. Does the chain/commodity fit with the focus of Government programs and priorities?	10%	AIPD Rural goal is to collaborate closely with Government of Indonesia's priorities and programs
4. How project-crowded is the sector? To what extent are sector needs addressed by current donors?	5%	Aims not to compete or duplicate, but to complement existing initiatives
5. What is the agro-ecological feasibility?	10%	The commodity should be well suited to the biophysical constraints of East Java, NTT and NTB
6. Is it environmentally sustainable?	10%	To assure project sustainability
7. External risks	5%	To assure project sustainability
Structure of the value chain	40%	
1. Is there potential for post-harvest productivity/ value-added?	30%	AIPD Rural supports better access to input and output markets
2. What is the potential for improving market access?	30%	AIPD Rural supports better access to input and output markets
3. What is the scalability and transferability potential?	25%	To ensure lessons learned from the study be up-scaled to the national level and the lessons learned transferable to other sectors
4. Is there sufficient infrastructure availability?	15%	To assure project feasibility



an example from Indonesia (EI-ADO)...

