

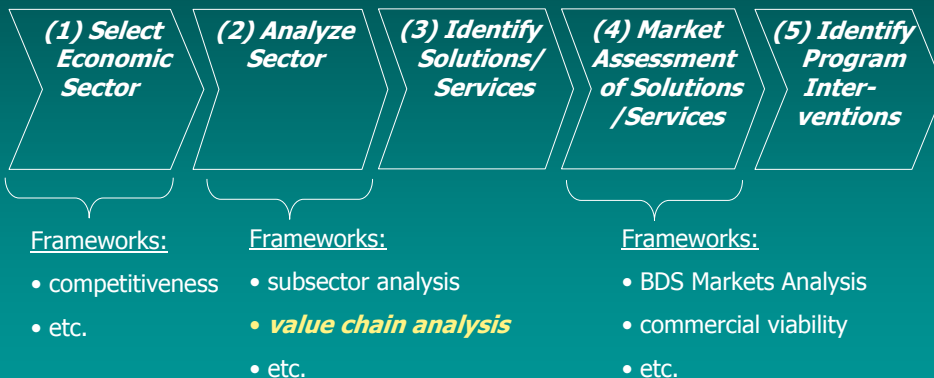
Value Chain Analysis

SEEP Network Annual General Meeting
Pre-Event Workshop:
Oct 25-26, 2004

Presented by:
Frank Lusby and Henry Panlibuton
Action for Enterprise (AFE)



Program Design Process





Presentation Outline

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

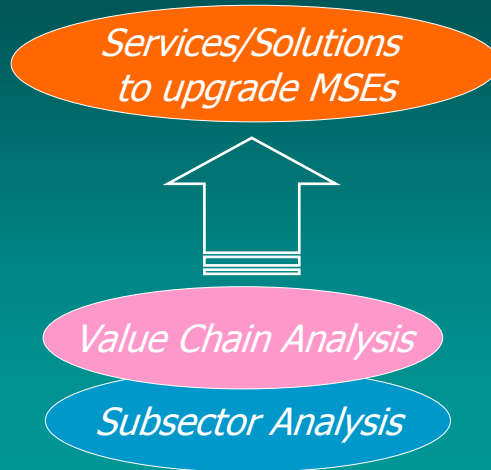


Subsector and Value Chain Analysis

- ✿ 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



Subsector and Value Chain Analysis



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***



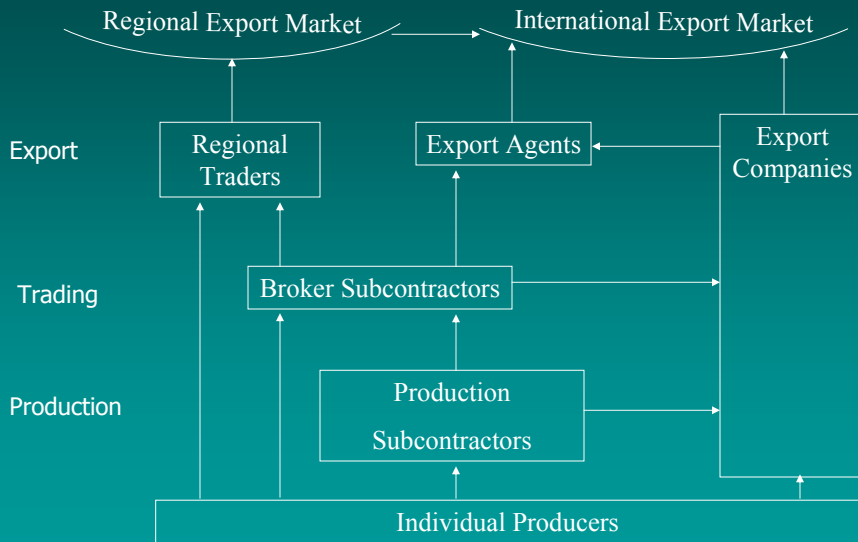
Elements of Subsector Analysis

- 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.



- 4) Subsector mapping
 - graphic presentation of inter-relationships;
 - can help to identify participants to interview

Baskets (for Export) Subsector Map



Elements of Value Chain Analysis

1) Geographic Coverage

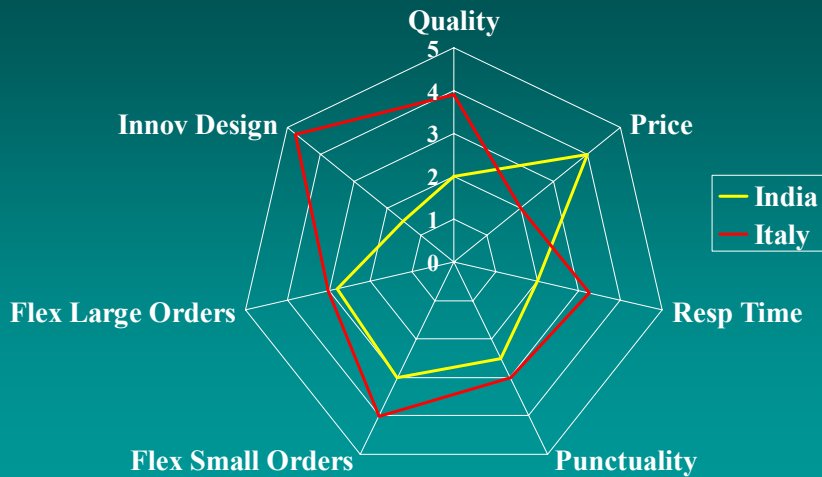
- value chain analysis reviews activities at all levels (national, regional, global)

2) Global Benchmarking

- benchmarking (with competing countries)
- learning from buyers
- use of star diagrams

FOOTWEAR

Performance Comparison: India – Italy



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



3) 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.)

4) Governance

- who decides what is produced?
- how are the rules of trade determined?
- what is the nature of relationships between participants?



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.



- ✚ Hierarchy
 - vertically integrated enterprise that controls various functions along value chain
- ** Type of governance may vary within different parts of a single value chain*

Value Chain Governance Structures

Market

(Tomatoes)



Balanced

(Organic Coffee)



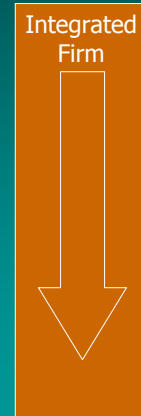
Directed

(Export Crafts)



Hierarchy

(Cut Flowers)



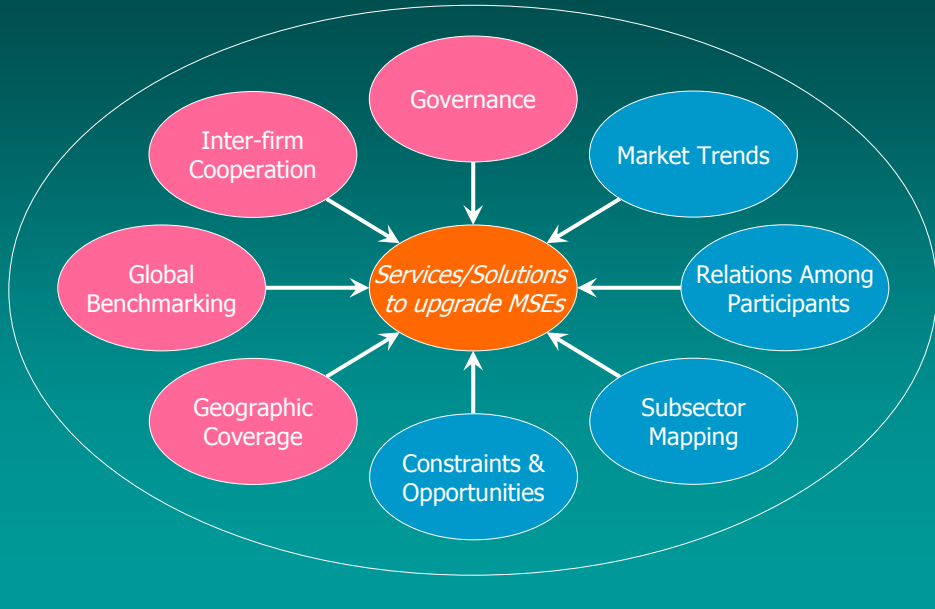
Source: *The Governance of Global Value Chain*; Gereffi, Humphrey, Sturgeon



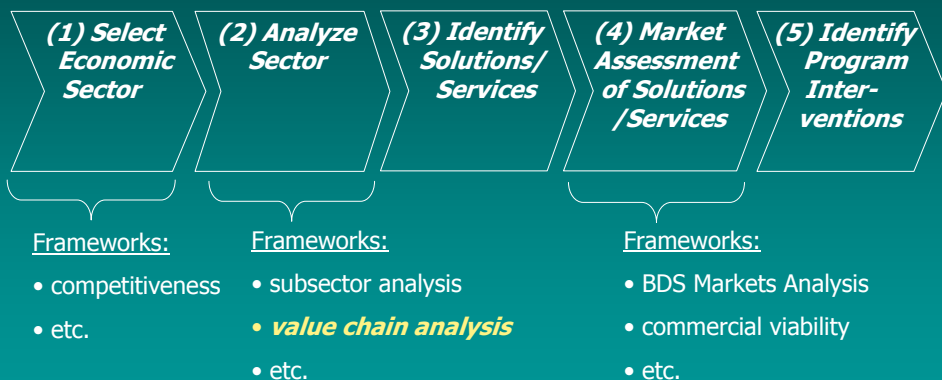
Small Group Exercise

- 🌀 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?

Subsector and Value Chain Analysis



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Information Gathering & Compilation

- 1) Review Available Data
- 2) Develop Initial Map
- 3) Gather Primary Data



Review Available Data

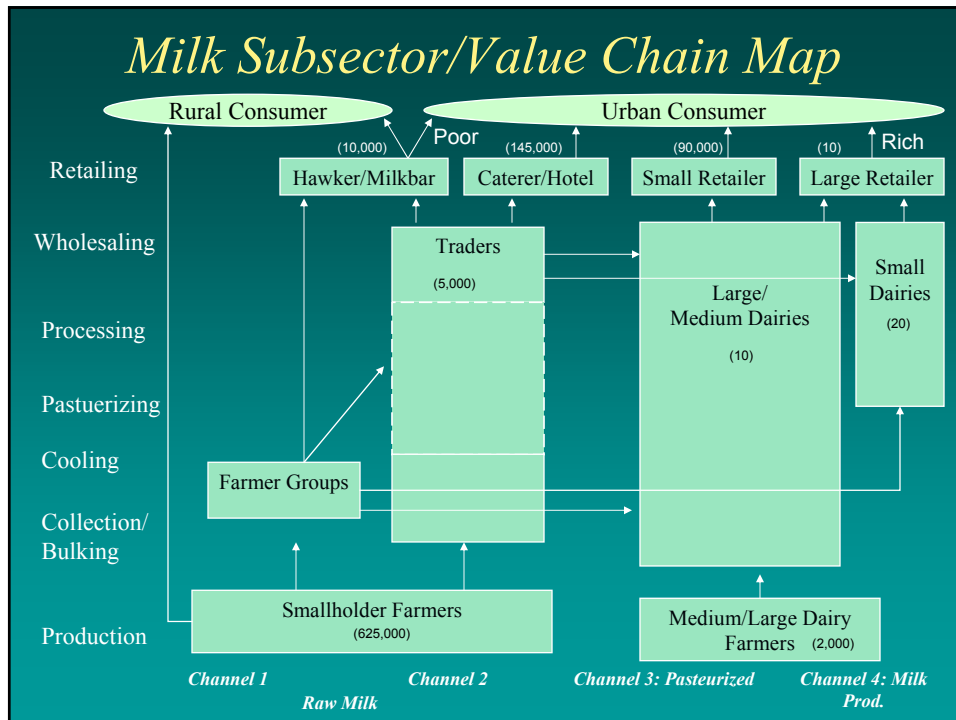
Where can you get data on subsectors/value chains?

- studies and reports
 - government, donors, development projects, etc.
- web-based research
- etc.



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



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



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

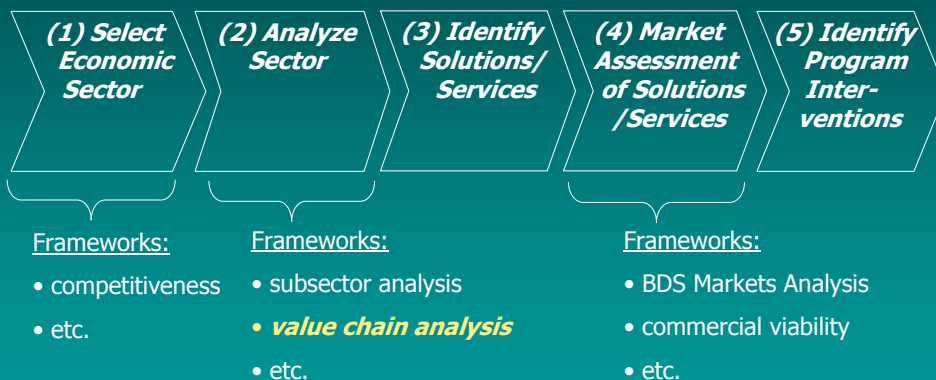


Link to MSE development

- 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



Program Design Process





Value Chain References and Links

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