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GUIDELINES FOR VALUE CHAIN SELECTION

Integrating economic, environmental, social and institutional criteria

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GUIDELINES FOR **VALUE CHAIN SELECTION**

Integrating economic, environmental, social and institutional criteria

Jochem Schneemann and Trude Vredeveld,

Fair and Sustainable Advisory Services

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Contents

A separate excel document with the overall scoring matrix is available here or at www.giz.de/privatesector or www.giz.de/valuechains and www.ilo.org/valuechains.

I. Objectives and background of the guidelines

An initial step in value chain development is to assess various potential sectors or value chains to determine in which the project might have the greatest impact through *interventions* according to specific development goals and project mandates. These guidelines are meant for use during the initial (design and formulation) phase of projects in order to compare and prioritise possible value chains for promotion.

Objectives

The Guidelines for Value Chain Selection: Integrating economic, environmental, social and instutional criteria offer a holistic and structured approach to value chain selection. They combine four different dimensions of value chains/sustainable development: economic, environmental, social and institutional. Since the four dimensions are interconnected, overlooking any one of them during value chain selection will affect the next phase of value chain analysis and development. Because currently no comprehensive or systematic approach or methodology exists that combines these four dimensions, these guidelines have been developed to fill the gap.

The guidelines include clear criteria and a set of tools to aid in the selection process. Potential users are development practitioners, governments and private sector initiatives, who wish to make well-informed decisions about which sectors and value chains to intervene in for market development.

Background

The guidelines are a joint product of BMZ/GIZ[1] and the ILO. Development organisations are often tasked with selecting from a wide array of value chains and must have a strategy for doing so, including the selection criteria to be used and the actors and project partners involved. The guidelines respond to the needs of practitioners engaged in value chain selection, but who often do so without a structured process. The guidelines also reflect best practices and lessons learned from projects, collected through interviews held in early 2015 with GIZ and ILO (field) staff from over 20 countries. The guidelines are a work in progress and merit testing in different sectors and contexts in order to refine and establish its optimal use and application.

The tool should be adjusted according to the purpose of its application, specific country and local context and mandate of the project. The greatest value will come from user application and documentation of experiences and outcomes. Additions and suggestions for improvement are welcome.

Quotes from interviews with GIZ and ILO staff (January / February 2015) expressing their needs and expectations of value chain selection guidelines and tools.

"We, practitioners, do not need fixed solutions, but a journey to learn."

"There is no blueprint for selecting a value chain, with a fixed sequence of steps: it is a reiterative process where you move back and forth checking data, commitment, opportunities, together with stakeholders."

"For us, what's most important is that the guidelines provide practical advice about the process: how to select the right players to talk with, how to find the right data, how to interpret the opinion and inputs of stakeholders. That is more important than the technique of setting criteria, scoring and weighing."

1 BMZ, The German Federal Ministry for Economic Cooperation and Development, has commissioned GIZ with the Sector Project on Private Sector Development to develop and disseminate innovative approaches and instruments for PSD, one of the action fields being sustainable value chain promotion.
For general information of BMZ on Private Sector Development see http://www.bmz.de/en/what_we_do/issues/wirtschaft/nachhaltige_wirtschaftsentwicklung/privatwirtschaftsfoerderung/index.html, and for BMZ's Strategy on Private Sector Development see https://www.bmz.de/en/publications/type_of_publication/strategies/Strategiepapier338_09_2013.pdf.

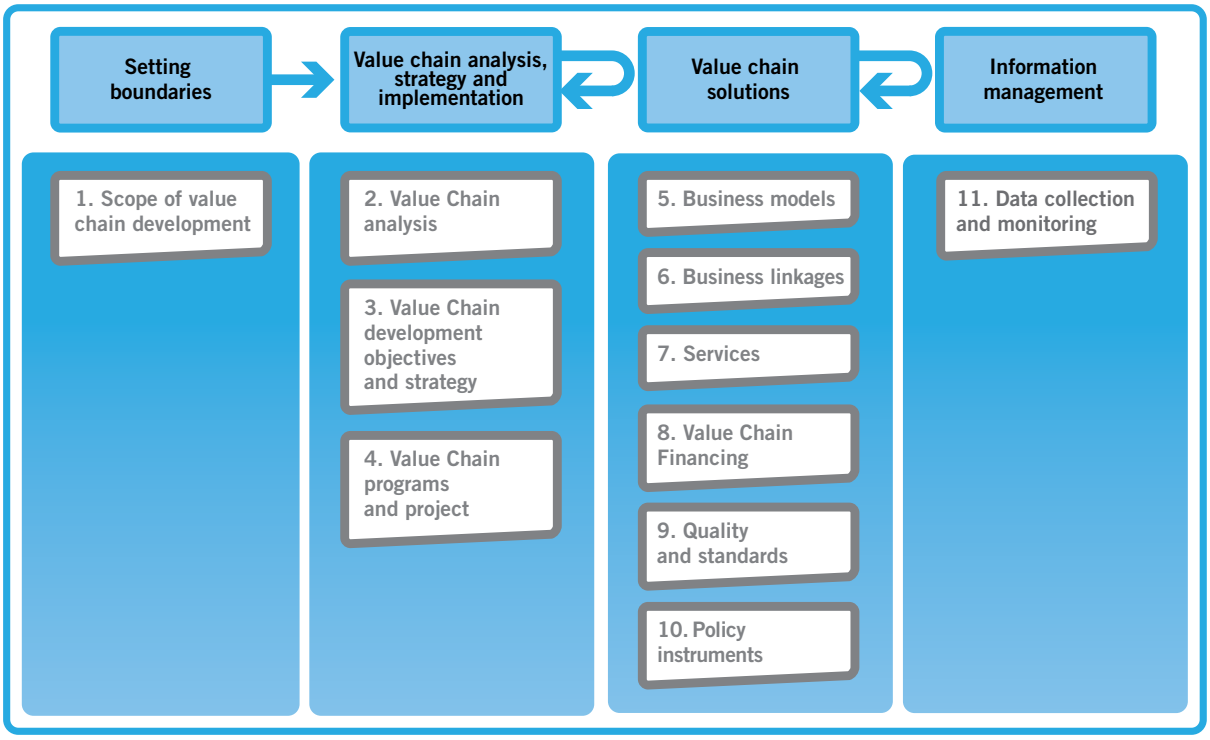
In these guidelines we use the terms value chain and value chain selection, however the guidelines and tools are also applicable for the selection of a subsector or sector.

The guidelines are complementary to the GIZ "ValueLinks"[2] methodology and the ILO "Value Chain Development for Decent Work" guide[3], but they may be also used as a stand-alone product.

Figure 1 below shows the different modules of ValueLinks. These guidelines on value chain selection refer to module 1 of ValueLinks, specifically chapter 1.4 "Selecting value chains for promotion" and to chapter 1 of the ILO guide on Value Chain Development for Decent Work. Many of the same selection criteria are found in both the ValueLinks guide as well as the ILO VCD guide, but the latter has a focus on *decent work*.

The figure above shows that value chain selection, and any analysis conducted in this phase, will inform the ensuing value chain analysis, which follows as module 2 in GIZ's ValueLinks and chapter 3 and 4 in ILO's guide. Therefore it is worth noting that several dimensions and criteria in these guidelines will be analysed more in-depth later in the project cycle.

Figure 1:
Modules of ValueLinks 2.0 Methodology



2 ValueLinks 1.0 is currently being updated. Please find a draft outline of the ValueLinks manual 2.0 at http://www.valuelinks.org/index.php/material/manual.

3 Value Chain Development for Decent Work (2009), ILO

II. User's guide: contents and structure

The guidelines start with a rationale for **linking the four different dimensions** in value chain selection (chapter III) and how projects can benefit from taking a holistic approach. Since many VCD projects deal with multiple stakeholders, chapter IV provides some pros and cons of **stakeholder engagement** in the VC selection process, including when to engage and for what reason.

Eight steps in the value chain selection process are introduced in chapter V. These suggested steps are intended to assist in narrowing down a long-list of potential value chains to a short-list and in arriving at a final selection. This can be done through the development of a matrix with economic, environmental, social and institutional criteria, adjusted to the specific context and program. The matrix template developed in the guidelines (see Table 1 below or Annex 2) can be used throughout the selection process to guide data collection during desk study and field investigation, to structure the stakeholder workshop and to serve as a checklist.

In summary, the steps function as a roadmap, starting from collecting and analysing data during desk study to field investigation and workshop and ending at a final selection.

Chapter VI introduces tools for the VC selection process, starting with the 'list of criteria', with **key (minimum) selection criteria**, in which all four dimensions come together. The environmental and social dimensions are emphasised in this chapter, due to these areas receiving relatively less attention in past private sector development (PSD) projects. Some important issues (budgeting, duration of the process and the availability of data) to be considered during the selection process are discussed in chapter VII, which provides some **practical tips and considerations**.

The annexes also provide practical tools, formats, examples of a filled scoring matrix and other sources that can be used during the VC selection phase. An excel template of the overall scoring matrix can be found here.

Adjustable to needs

The tools and matrices in the guidelines can easily be adjusted to fit the specific needs and context of a project. While the criteria presented in the main text are those deemed elemental by consulted value chain developers and practitioners, the list of criteria used should adhere to the project's objectives, and thus may be added to/subtracted from accordingly. Additional possible criteria can be found in Annex 1.

Basis of decision-making: qualitative vs. quantitative

Although it is preferable to compare sectors and value chains based on hard data and statistics, value chain selection is not a mathematical exercise. Despite the fact that criteria can be weighted and scored, overall the guidelines and tools take a qualitative approach, with comparisons mostly based on qualitative information, also because quantitative data are often lacking. Scoring against criteria is a way to value, compare and prioritize value chains, based on (expert) opinions, available facts and statistics, expectations and assumptions.

To give an idea, Table 1 below shows portions of an overall scoring matrix used to assess the furniture and organic waste recycling value chains for a GIZ PSD program in Yemen.

Table 1: Snapshot of a scoring matrix with selected criteria tested in the GIZ Private Sector Development Programme in Yemen.
Note: As this is just a snapshot, only selected criteria are shown. The complete scoring matrix used in Yemen can be found in Annex 2. Source: Innovision Consulting, 2014.

SOME CRITERIA FROM VALUE CHAIN SELECTION SCORING MATRIX TESTED IN YEMEN							
Country: Yemen		**(SUB-) SECTORS**					
KEY CRITERIA	**Weights**	**Furniture for public institutions**			**Organic Waste Recycling**		
I. ECONOMIC CRITERIA:	**35%**	Score	Weighted score	Underlying data for score	Score	Weighted score	Underlying data for score
Prospect for value addition	3%	2	0.06	Furniture is a high value-added product. Prospect for further value addition is limited.	4	0.12	Prospects for value addition are very high, but the absence of a local market means that the project will have to explore niche opportunities first and then cautiously explore opportunities for industrial scale operations for production of value-added products like compost.
II. ENVIRONMENTAL CRITERIA:	**25%**						
Potential for products and/or services that compensate for greenhouse gases (GHG)	4%	1	0.04	No potential for product to compensate for green house	4	0.16	Recycling of organic waste could reduce the generation of methane gas/ GHG emitted in compost plants and could be used for electricity generation.
III. SOCIAL CRITERIA:	**25%**						
Women's relative control over equipment, assets and sales income	5%	1	0.05	Women are currently not engaged nor in control of equipment, assets, sales or income	2	0.1	Women's participation is currently low. Potential depends on the success of intervention in engaging women entrepreneurs in production and marketing of handicrafts and paper products produced from recyclable materials.
IV. INSTITUTIONAL CRITERIA:	**15%**						
Donors/support organisations are ready to collaborate and invest	3%	4	0.12	For the time being there is no support, but there will be in the near future (SMEPS)	2	0.06	Only support from the government in the field of waste management is the supply of basic machinery.
Total score economic dimension:			**0.83**			**0.97**	
Total score environmental dimension :			**0.5**			**0.6**	
Total score social dimension :			**0.76**			**1**	
Total score institutional dimension :			**0.3**			**0.33**	
TOTAL			**2.39**			**2.9**	

III. Linking economic, environmental, social and institutional dimensions

The economic dimension and why it is important to include all four dimensions

Many value chain developers and practitioners agree that the bottom line for value chain development is the economic dimension, specifically the potential for market growth, employment creation, comparative advantage and added value. Without strong economic potential, prospects for sustainable development are low. Institutional factors, such as the policy environment, must also be favourable, in order for a project to achieve greater impact.

However, there is growing agreement among civil society, governments and the private sector that to remain in business and be profitable in the longer term, enterprises and the value chains in which they operate need to be inclusive and green. Focussing on economic development alone risks perpetuating social disparities or environmental damage. Therefore, combining economic objectives with environmental and social goals, along with an enabling institutional environment, enhances the quality of growth. For example, producing good quality timber from forests without ensuring regrowth of trees will lead to depletion of forest resources and raw materials for the enterprise. Companies should consider their dependency on scarce resources and impact on the environment, both nearby and up and down the value chain. An increasing number of companies adopt Corporate Social Responsibility (CSR) as a part of their business model or even core business in order to enhance competitiveness. In the first decade of the 21st century, good CSR practices among the private sector grew rapidly, and are increasingly considered as a license to operate.

The environmental dimension

In order to sustain *economic development in the long term*, we need to also include environmental criteria (given scarce resources, rising population and consumption, environmental degradation and climate change). This means identifying and minimising the negative effects (pollution, degradation) of a VC's activities on the environment (land, water, air, biodiversity), but also the larger environmental impacts, such as climate change and resource scarcity. Overall, markets for green services and products have grown over the last years and are expected to grow further, making markets greener and creating new jobs. Many traditional and innovative green products, such as organic food and green technologies, are steadily mounting. Nowadays there is ample opportunity for 'green economy' business models, which make optimal use of (scarce) natural resources, use less fossil fuels, and result in reducing environmental risk— sustainable development without degrading the environment. In short: including environmental criteria in the value chain selection phase ensures that key environmental considerations are included from the beginning of your program and potential opportunities are not overlooked.

The social dimension

One of the *quality aspects of economic development* is embedded in the social dimension of a value chain. It includes a wide array of issues, like equity, equality, access to resources and benefits, participation, inclusiveness of disadvantaged or marginalised societal groups and others. In these guidelines we distinguish

- Inclusiveness of disadvantaged or marginalised societal groups. Inclusiveness is grounded in social justice and human rights arguments; all involved persons should be able to benefit from development interventions.
- Decent working conditions in the value chain are a core part of job quality that allow workers and their families to lead overall safer and more secure lives. Improved working conditions can lead to greater productivity and, in effect, increased income and job creation.
- Social impact of the value chain on the surrounding communities and society at large. This is related to essential human rights as well as relevant conflicts or tensions in society.

For more explanation, see the chapter VI section on the social dimension.

The institutional dimension

The fourth important element in these guidelines is the institutional dimension. Institutional aspects refer to the 'enabling environment', such as favourable policy and regulatory environment, by public, private and other pertinent stakeholders. It often forms a 'pragmatic' but also key condition for successful value chain interventions. This enabling environment can facilitate or hinder (green and inclusive) economic development. For example, if the government of a country has prioritised and actively supports or invests in domestic rice production, it signals that is ready to change the status quo of importing cheap rice. This presents a potential opportunity for influencing the policies around domestic rice production.

The institutional dimension of value chain development determines the 'rules of the game' that shape market outcomes and allows value chain actors to make use of the opportunities offered by the market and crucial for facilitating change. See also the box on Myanmar below.

Case from Myanmar: Incorporating 'organizational readiness' into the selection phase.

In Myanmar there were many organizations that were willing to change something, but only a few who were able to lead the Private Sector Development Program. Many associations were voluntary, in their early stages of organizational development and without any financial resources. This institutional aspect was a crucial criterion in the beginning of the selection process.

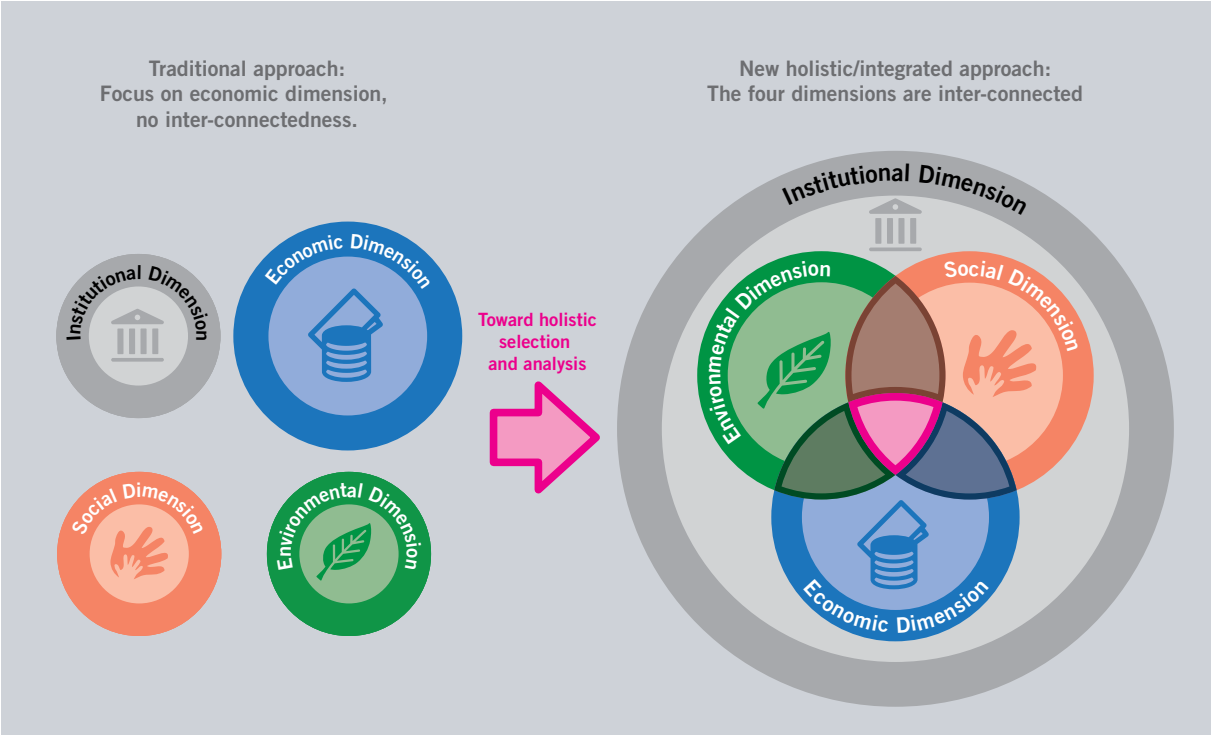
Without the necessary organizational capacity, it will not be possible to develop and scale up the value chain. Hence, working with the Fruit and Vegetable association was kind of pre-set, since it was the only partner who had the organizational readiness. The association was in the driver's seat. The choice of the value chains was the decision of the stakeholders. GIZ only provided the methodology and tools. Since there was a lack of valid data in Myanmar, expert's opinions were used to make a shortlist. The association chose the experts for the expert panel workshop. The shortlist of value chains was further narrowed down in a stakeholder meeting and this choice was cross checked with a market research. This market research gave some new insights, through which the choice for two value chains was made.

Capacity Development for Private Sector Development – GIZ – Myanmar – 2012-2015

Interlinkages between the four dimensions

The four dimensions are often considered as four separate components, with most attention usually given to the economic dimension (see figure 2 - illustration left side). However, as described above, the four dimensions are interrelated, and sustainable economic development cannot be reached without at least considering all four dimensions. The right side of the illustration in figure 2 shows this integrated view, with economic, environmental and social factors being intertwined and the institutional dimension as the enabling 'surrounding' environment. Here we can see that elements in one dimension can easily be considered within the scope of another, i.e.: gender issues can be looked at in the environmental dimension, by examining gender roles during the introduction of energy-saving and smoke-reducing stoves in a particular village. In the economic dimension, while it is relevant to look at how economic development impacts and includes women, an intervention promoting 'green' development (environmental dimension) doesn't necessarily imply 'inclusiveness' (social dimension) and the other way around. If one dimension is neglected or unfavourable, it may affect the performance of other dimensions, which enhances the risk of failing to achieve program objectives. This underpins a holistic approach and inclusion of all four dimensions, while being aware that trade-offs or compromises are often the reality (see also chapter IV., section on trade-offs).

Figure 2:
Four dimensions of value chain selection: towards holistic selection and analysis
Source: author, based on many similar figures, including those developed by CEFE International



A holistic approach from the beginning: in the VC selection phase

Looking at the four dimensions in the selection phase provides a more comprehensive picture of the different value chains under consideration, allowing the project to better assess the opportunities and risks at an early stage and ensure that these are not overlooked. Doing so makes it possible to make well-informed choices and to find innovative solutions and approaches for the value chain development program. In later stages of analysis, this assessment will help inform the design and implementation of interventions.

Implications for the rest of the process

Deciding to use a holistic approach in value chain selection right from the beginning has implications for the rest of the process, including the questions asked, the stakeholders interviewed or engaged, the data collected and the final choice made. For instance, inviting representatives from specific (marginalized) target groups, can bring new perspectives (e.g. on environmental aspects or specific social aspects) that will not only help make an informed value chain selection, but that will aid in the next phase of the project—the in-depth VC analysis.

Challenges of integrating the four dimensions

There are several issues that challenge the integration of these four dimensions in the value chain selection process, such as distinct stakeholder and donor priorities and agendas, limited time and resources, a lack of data and expertise, and other obstacles. These guidelines help in this process, providing arguments, key questions and tools that may be used to capacitate project staff and engage market players, resulting in stakeholder buy-in.

Including all four dimensions in the value chain selection phase (and later phases) is more feasible when they are part of the program objectives or requirements, which means communicating their importance, both internally and externally, during project formulation and early negotiations between stakeholders (e.g. donors and governments). Some balancing and compromises between the dimensions are oftentimes required as well (see also chapter VI section on trade-offs).

IV. Stakeholder engagement: why, who, when?

Before starting the selection process, it is important to decide

- which stakeholders you would like to involve,
- for what particular reason and
- at what time.

Involvement of stakeholders has several pros and cons (see Table 2 below).

Table 2: Pros and cons of a participatory approach in the sector selection phase

Pros of stakeholder involvement	Cons of stakeholder involvement
Involving those who 'enable' (government, service providers, business associations) and 'drive' (private sector actors) economic growth, assures **commitment and ownership from the beginning** up to the implementation of your value chain development program.	Consulting different stakeholders takes **time**. Especially when you want to consult stakeholders from different positions, in different value chains and in different steps in the selection process.
It provides a **buy-in** from essential stakeholders, and it **justifies the choices** made in the selection process. This can make the process smoother during the selection phase and further along the project cycle.	The process of making a choice may become **complex and challenging**. Realize that stakeholders have **different interests**, (political) **power and positions**, levels of knowledge and understandings of concepts. This may handicap the discussions and make it challenging to come to a common vision, choice and strategy.
Greater involvement brings in new perspectives and ideas. Private sector actors are particularly important.	Bringing stakeholders together risks collecting **biased information**, for example, when people do not speak out freely or when certain people dominate the discussion and try to influence others.
A participatory approach can also be a means to **building the capacity of stakeholders** through exchange, discussion, networking and learning and through emphasizing the importance of joint action.	Involvement of stakeholders creates **expectations**.
	Participation fatigue among respondents may occur, especially since you will probably have to consult them again in the analysis phase, which will follow the value chain selection phase.

Although there are some disadvantages to a participatory approach, many practitioners reported huge benefits from engaging and involving stakeholders at some point in the selection process. Advantages during the selection phase can last up to the implementation phase of your value chain development program. Below are some considerations, which can aid in deciding which stakeholders to approach and when.

- Think about **'who' to involve 'when'** in your program. It is important for some actors to be consulted during the selection phase, while others can be approached at a later stage-in the analysis or implementation phase. Furthermore, in the selection phase, you might consult certain actors during 'shortlisting' (step 2), others during 'field investigation' (step 6) and others again in the 'workshop' (step 7).

- Decide carefully on **which stakeholders** to approach. Select stakeholders that are well informed and who are able to provide valuable insight into the functioning of the value chain.
- When consulting stakeholders in the selection phase, be careful to **manage stakeholder expectations**. Explain the status and objective of the consultation, what the information will be used for and who makes the final choices at what time.
- At the same time, be aware that choosing stakeholders to consult is rarely an unbiased process. To remain as neutral as possible, you may ask other stakeholders—business associations, for example—to identify the most relevant stakeholders for you.
- Involving **experts** may be particularly useful for understanding the 'big picture'. Sector experts, thematic experts (gender, environment), as well as methodology experts who can support the process, can provide essential knowledge and experience for understanding for how the value chain functions as a whole.
- Take a look at the **diversity of your stakeholders,** in terms of their function and role in (support of) the chain, age (youth) and gender (both men and women). Are all perspectives represented? Think of representatives of different functions in each value chain, or people who represent several value chain functions to provide information on vertical integration. Think also about the perspectives of service providers (e.g. business training, marketing etc.) and policy makers (ministries, trade associations, etc.). Invite enterprises with different size and capacity to reduce bias towards only small scale or only large-scale enterprises.
- Of particular importance during workshop facilitation (step 7) is to **manage power relations and different positions** and interests of the participants. The facilitator should be aware of anticipate this. For example, by discussing in small homogeneous groups with a spokesperson, participants may feel more comfortable sharing their opinions on more sensitive issues.

Facilitating role

Value chain development initiatives will only succeed when market actors (the private sector) are in the driver's seat and have worthwhile incentives (e.g. more stable income). Projects do not create markets and economic growth, value chain actors do. The role of development agencies and projects is to facilitate market change. Such a change could be, for example, in improving the quality and availability of services to enterprises, which in turn improves the performance of VC actors. Government, development agencies and projects may bring actors together and enhance the trust between them, which may accelerate desired market changes. See the box below with a case description from Nepal.

Case from Nepal – Participatory approach in value chain selection

In a sector development program of GIZ in Nepal, a participatory approach was used during the value chain selection process.

Since the national development plans of the Nepali government were very broad, the selection process started with a wide range of sectors. Many different stakeholders were involved in this process, including informal and private sector actors. During the workshop, data and trends were presented to the participants, followed by an exercise of voting and weighing in groups. GIZ introduced their criteria and explained what they meant, and stakeholders discussed which criteria were used in the value chain selection process. Facilitators helped them to select the value chain through weighing and scoring. Important criteria for the final choice were 1) income and employment generation and 2) competitiveness, productivity, access to markets and export potential. In the end, groups voted and the top five value chains were selected.

A participatory approach during the selection phase helped to shape interventions in a later stage and it increased understanding, involvement and ownership of the stakeholders on the different aspects of a value chain.

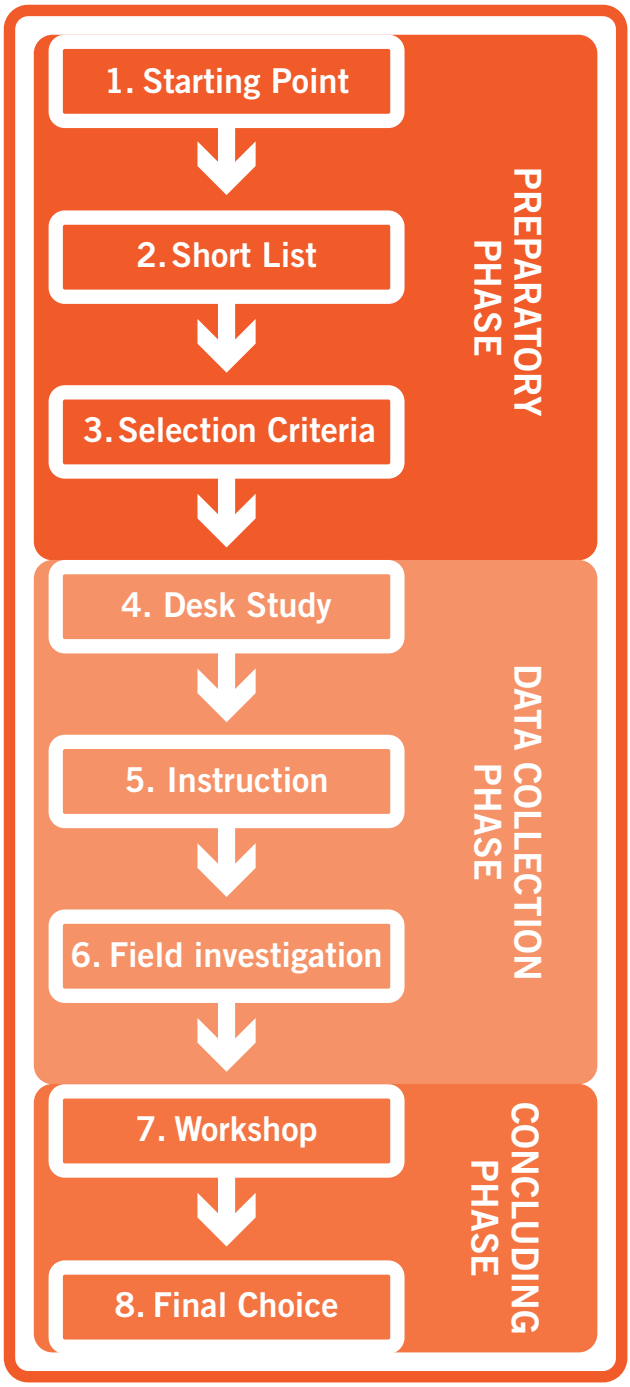
'Capacity for Business Development Services'. – Nepal – GIZ – 2003-2008.

V. Eight steps for value chain assessment & selection

The following step-by-step process (eight steps) is recommended for users of the guidelines.

Figure 3 summarises the selection process that can be adopted of eight steps in three phases. The steps in these guidelines function as guidance, not a blue print: there is no 'one size fits all' approach. Depending on the context, the order and content of the steps may differ. The final choice (step 8), for instance, may operate as the final separate step and made by project staff, but may also be integrated into the workshop for discussion and validation (step 7) and made by stakeholders. It is also an iterative process; some steps may need additional consideration due to new insights gathered during the process; e.g. additional desk research may be needed before the final shortlist can be made. The time indicated for the eight steps is 23 days, but it depends on the number of value chains included in the long and short lists, the context and the specific process.

Figure 3: Selection process in eight steps



Each of the eight steps in figure 3 is further elaborated in the text below, along with suggestions for time and human resource allocation. It is advisable to avail of someone with sufficient knowledge and experience in the selection process, either within your own team or through hiring an external consultant.

In the next chapter (VI 'Assessment Tools') some tools are introduced to reinforce the steps described here. These tools can be used in one or multiple steps.

Chapter VII describes some important practical considerations that influence the selection process, including budgeting, duration of the selection phase and the availability of data.

STEP 1: STARTING POINT: SCOPE AND MANDATE OF THE PROGRAMME

Objective:	To review the starting point and rationale of the program.
Description:	Ensure that the ensuing steps and the final choice of the value chain are in line with the goals of the program, by listing the most important requirements and selection criteria, as well as making a long list of all potentially suitable value chains.
Points of attention:	Other elements that inform the process are the timeline for implementation, resource availability and the program. Final consumer products of the long /short-listed value chains should be clearly indicated, e.g. 'tomato' can be fresh tomato fruits, tomato concentrate, and tomato sauce etc. This is relevant because these products have variable characteristics, and may have different end markets, chain actors, quality requirements, etc.
Tools or resources:	Program documents, mandate, impact indicators, government policies, donor requirements and other background material. A simple table with agreed requirements and selection criteria.
Time indication:	1 work day
Human resources:	Project staff (and external consultant) and project counterparts

STEP 2: SCREENING AND SHORTLISTING OF PROMISING VALUE CHAINS

Objective:	To narrow down possible value chains from a long list to a short list (between 3 and 6 value chains), before going into in-depth investigation. This will make the analysis in the following steps more efficient and focused.
Description:	**Option a) Quick review:** When clear evidence and well-documented information are already available, a quick review and validation may be sufficient in this step. It can be done by the project team and a small selection of resource persons/ stakeholders. **Option b) More extensive review:** If sufficient data is not readily available, the long list of value chains should be screened against exclusion and inclusion criteria. Certain exclusion criteria[4] may be applied in an exercise with staff and stakeholders (optional) to help fill information gaps, which will result in a list of strong and weak points of each value chain for each criterion and finally a shortlist.
Points of attention:	Try to think out of the box and consider 'new' or lesser known value chains. One frequent but often incorrect assumption is that most value chains have not yet been studied. However, a quick internet search may turn up a surprising number of existing studies.
Tools or resources:	The overall scoring matrix (Annex 1 and excel sheet) can be helpful by defining exclusion and inclusion criteria. These can be compared with the most important criteria, as formulated in step 1.
Time indication:	Depending on the program, the time allocation will depend on the number of value chains on the longlist and the availability of data. Indication: 3 work days (1 for literature review; 2 for field investigation)
Human resources:	Project staff (and external consultant). Possibility of including other important stakeholders.

4 Potential exclusion criteria can include: no growing demand on local market; the value chain only benefits men; no potential to make a change; production means loss of unique biodiversity. Inclusion criteria may include: presence of effective local service providers, profitability for chain actors, creates new jobs for disadvantaged, vulnerable groups.

STEP 3: DEVELOPMENT OF MATRIX WITH DIMENSIONS & CRITERIA, OPTIONAL WEIGHING AND SCORING

Objective:	Develop a matrix that can be used as a tool to assess and compare the short-listed value chains against selected criteria that are relevant to the priorities and mandate of the program. It provides the foundation for further data collection and a process of consensus building.
Description:	Within each of the four dimensions, criteria are selected and defined by which value chains can be assessed. **Key criteria** and *optional criteria* are proposed in table 3 (chapter VI), which can be adjusted to the specific needs of the program, by selecting and reformulating criteria, adding new ones or dropping those which are not relevant. Comparison may be done through scoring (assigning to each criterion a number between 1 and 5) or through other ranking strategies by assigning different weights to each dimension and/or criteria in line with project priorities. See instructions below.
Points of attention:	Overlapping criteria should be avoided and the number of criteria kept to the minimum, while still ensuring sufficient in-depth analysis. Criteria should be clearly defined as to avoid different interpretations by those conducting the data collection, analysis and comparison.
Tools or resources:	• Table 3 in chapter VI includes key criteria, guiding questions, suggested indicators and data along the four dimensions • Annex 1 shows a similar matrix as in Table 3, but with additional criteria • Excel sheet with the overall scoring matrix • Chapter III provides a rationale to include the four dimensions into the selection phase. • Chapter VI contains tools to include the four dimensions. This chapter contains an extra description for the environmental and social dimension. • Annex 2 shows an example matrix, used in Yemen and provides weighing and scoring considerations.
Time indication:	2 work days (1 for development, 1 for review and finalization)
Human resources:	Team leader along with project/ government staff and (external) consultants.

The overall scoring matrix is available here.

Deciding on the 'choice process' - weighing and/or scoring

Although scoring is an exercise which is done in a later step (during step 7, the workshop, or in step 8), it is important to already decide on what the program's 'selection process' will look like and how the final choice will be made, e.g. through scoring or through the use of inclusion and exclusion criteria. In the case that scoring is utilized, one can customize the overall scoring matrix even more to the specific project context through assigning weights to more important or relevant criteria or dimensions.

Scoring

Scoring is a method for arriving at a final choice in the selection process, although it is not necessary in every scenario.

Without scoring: exchange facts, trends, risks and arguments to determine which VC best satisfies a certain criterion.

With scoring: together with project staff, resource persons and stakeholders, score the short-listed value chains as per the selected criteria, using scores between 1 (very low/poor) and 5 (very good/high). Scoring is not a mathematical method, since it is (to a large degree) based on 'qualitative' data. However, an attempt is made to translate the qualitative information into a score, which also serves to stimulate discussion between participating stakeholders.

Accumulated criteria scores for each of the short-listed value chains will result in an overall ranking and indicate the value chain that is best suited for the aims of the project. While scoring can help in comparison, the project staff should still do a final check and validation of the ranking. It is possible that a high scoring value chain is dropped for pragmatic reasons which were not reflected in the criteria. The overall scoring matrix in the excel sheet provides specific columns for scoring.

Weighing

Weighing is meant to ensure that the value chain with the highest score is based on the criteria most relevant for the program. However, weighing is optional and should only be used when certain criteria have clear priority over others.

Clear instructions on scoring and weighing, can be found in the overall matrix excel document, in sheet 2.

STEP 4: DESK STUDY

Objective:	To collect, in a cost efficient manner, existing secondary data about the value chains under review. Desk research provides information, data and knowledge that are already available, before starting field investigation.
Description:	The desk research entails developing a value chain map, identifying the actors that should be interviewed and developing the hypotheses for the existing opportunities and challenges in the value chain to be tested.
Points of attention:	The availability of accurate and reliable data is often a challenge in many countries and programs. See chapter VII for more guidance.
Tools or resources:	Existing reports (from your own or other organizations), national statistics, government websites and others. Suggestions for sources can be found in Annex 5.
Time indication:	2 work days (per value chain)
Human resources:	Project team (and potentially external consultants)

STEP 5: INSTRUCTION OF FIELD STAFF AND LOCAL CONSULTANTS

Objective:	To ensure that those who are involved in the field investigation have a clear and common understanding of the project's objectives and approach and are able to apply the tools in the field and assist in the stakeholder workshop (step 7).
Description:	Through an instruction or short training, local consultants and staff from the project are briefed and familiarised on the guidelines, the four dimensions, the assessment tools and the matrix with the criteria that have been chosen in step 3. The list of criteria, question guide, field investigation calendar, number of respondents and other issue can be discussed and finalized. In order to facilitate field interviews, a question guide can be prepared with a few key questions for each dimension and act as a checklist during semi-structured interviews.
Points of attention:	Be aware of the time investment it takes to do the field investigation and analysis of collected data. In order to improve the reliability of the information, it is recommended to test the question guides and field interviews prior to the actual analysis and discuss their effectiveness with the interviewers.
Tools or resources:	• Your own 'list of criteria', developed in step 3. • The tools that are mentioned in chapter VI can be used in this phase, to instruct field staff on how to use them. • 'Question guide' in Annex 4, which can be adjusted to reflect the projects' needs for information.
Time indication:	1 work day
Human resources:	Project team (and potentially external consultants)

STEP 6: FIELD INVESTIGATION

Objective:	To collect data, through field investigation, to respond to the questions and criteria in the overall matrix (developed in step 3).
Description:	Field investigation consists of interviews and observations in the field. A comprehensive value chain assessment should involve respondents from the end market (retailers, consumers), value creation functions (traders, producers, processors), service providers (technical and financial), and policy makers (government, business association and others). The number of respondents will depend on the scale of the value chain that is being evaluated. Sampling can be determined in consultation with the project team, although scientific sampling is not essential. The observations of the team in the field serve to check and validate the information provided by respondents. Short interview reports are compiled, and the collected data are analysed into a field investigation report, as preparation for the workshop. The report should include a map of value chain actors and supporters, a SWOT analysis (or similar exercise results), and a list of still needed but lacking information.
Points of attention:	• It is recommended that the project assigns at least one person from their team to accompany the consultants in the field, since this helps to broker relationships that play an important role during the project implementation process. • Management of expectations during stakeholder consultation is important. See chapter IV 'Stakeholder engagement' for more information.
Tools or resources:	• List of criteria, developed in step 3. • Tools in chapter VI • See example of a 'Question guide' in Annex 4, which can be adjusted to reflect the projects' needs for information.
Time indication:	Critical: at least 5 work days per value chain. (3 for economic and institutional analysis; 1 for social; 1 for environmental analysis).
Human resources:	Project team (and external consultants). Assistance from local experts, field staff.

STEP 7: WORKSHOP FOR VALIDATION AND RECOMMENDATIONS

Objective:	To validate findings from the desk study and field investigation and fill in any missing gaps through a stakeholder workshop. Final value chain selection can either be done during the workshop (with participants) or in the next step, by the project team or team leader. This depends on the program leadership, who participate in the workshop, the level of expertise of the workshop participants, among other things. A decision by 'the workshop' can strengthen the buy-in of participants, but it is also good to maintain some control over the decision in case stakeholders are not fairly represented in the workshop, e.g. public versus private actors.
Description:	During the workshop, findings are presented and discussed, different perspectives and positions are exchanged and compared and scoring can be done. The workshop can take two forms depending on the findings from the field. a) If the field findings are found to be concrete, they can be presented to the participants (optionally with the draft score). These findings can be validated or revised in consultation with the stakeholders. b) If less concrete, the workshop could be used for further probing against the criteria used to analyse the value chains. Exercises are recommended allowing participants to assess each criterion and then rank the value chains accordingly. Prior to the exercise, the ranking process and methodology should be clearly explained to the participants. In the case of scoring it is advised to ask the participants to score individually, then share their scores and adjust the scores based on exchange of arguments and agreement. Try to come to consensus on the scores and note the arguments for the choices made. The assessments by participants should be reviewed in a final session to review the ranking (scores) and validate these in consultation with the stakeholders. It is important to pay sufficient time to each value chain. Separate sessions may be needed for each value chain
Points of attention:	• Decide on which stakeholders to engage in the workshop. See chapter IV 'Stakeholder engagement' for additional considerations. • Specifically in this step, one might consider to involve sector experts and thematic experts, such as those working on social, gender and/or environmental issues.
Tools or resources:	• Tools described in Chapter VI
Time indication:	2 work days (1 day for analysis and review; 1 day for workshop)
Human resources:	Project team (and external consultants).

STEP 8: FINDINGS REVIEW, ANALYSIS AND RECOMMENDATIONS

Objective:	Collection of final review, analysis that will lead to the selection of value chains, formulation of recommendations to the project on probable interventions and impacts. As mentioned before, it is possible that a decision has been taken during the workshop. In that case, this step serves to document, summarise and wrap up the process, including the rationale for decisions taken.
Description:	Depending on the outcomes of the workshop, it might be possible that additional data should be collected or in-depth studies needed, before firm decisions can be taken, on the projects commitment and longer term interventions. It might be possible that aggregate scores as per the review of the consultant/ project staff and those as per the review of the relevant stakeholders during the workshop, differ. In this case, it is the responsibility of the consultant to analyse and document the differences, and come to a final score upon review of the findings.
Points of attention:	Ensuring adequate and explicit documentation of choices made and underlying arguments and reasons. Finally the program leadership should decide or validate the recommended choice by the project staff, workshop participants and/or the consultant.
Tools or resources:	-
Time indication:	7 work days (2 for review; 3 for report writing; 2 for incorporating feedback)
Human resources:	Project team (and external consultants)

When the decision is made

Step 8 is the last step in the value chain selection process. In general, this phase is followed by the analysis phase (see module 2 In Value Links, mentioned in chapter 1), in which an in-depth analysis of the selected value chain(s) is done.

For an example of lessons learned in the selection process, see Annex 2 under Lessons learned from Tunisia.

VI. Assessment tools

This chapter contains an introduction to the main tools to be used during the value chain selection process, incorporating economic, environmental, social and institutional criteria.

The **central tool of the guidelines** is Table 3 (see below) and the corresponding overall (scoring) matrix. Table 3 provides an overview of the key criteria, indicators, guiding questions and useful sources of data that can be considered for each of the dimensions. This table can guide you throughout the value chain selection: it can be used during the desk study and field investigation steps as well as during scoring and the final choice. Table 3 provides a basic set of minimum criteria that we advise including in the list of criteria[5]. In case certain dimensions or aspects need further guidance, a table with both the key and additional/ optional criteria for each dimension, is presented in Annex 1. The guiding questions in Table 3 and Annex 1 are also captured in a separate tool 'Guiding questions' (Annex 4), and can be used during interviews and field investigation. To select the value chain(s) that will best fit your program mandate and context, the overall matrix should be designed to reflect project priorities through selection of the criteria offered by the guidelines.

When deciding to weigh and/or score the different dimensions and criteria, one can use the **'overall scoring matrix'**, in excel. This matrix contains the same criteria as Table 3, and includes columns for weights and scores and for the underlying data that underpin the designated score. Extra columns can also be added for analysing multiple value chains. Instructions for weighing and scoring can be found on sheet 2 of the same excel file. Additionally, an example of a completed matrix is shown in Annex 2. This is the result of the value chain selection process of GIZ in Yemen, where the first version of these guidelines were piloted.

Certain criteria such as employment can be captured under different criteria. In this case we opted to include employment creation (jobs) under the economic dimension and the quality of jobs (e.g. working conditions) under the social dimension. Overlapping criteria should be avoided.

5 The key criteria were selected, based on basic criteria as found in GIZ and ILO guides, and feedback from workshop participants (11th May 2015) on proposed criteria in a draft version of the Guidelines. The key criteria represent major aspects of the four dimensions. While the key criteria should cover the main areas, we also opted for a limited number of (14) key criteria, in order to keep the tool practical and doable.

Table 3: The four dimensions and the respective key criteria for value chain comparison and selection.
This table contains the 'key' (minimum) criteria, guiding questions, indicators and sources of data. Additional/optional criteria can be found in Annex 1.

DIMENSION	Key criteria	Guiding questions	Suggested indicators	Sources of data (More sources in Annex 5)
ECONOMIC	**Market demand prospects (local and/or export)**	1. What are the prospects for market growth? 2. Is there (seasonally) unmet market demand? Are traders/customers willing to buy more of the product/ service? 3. Is there scope for import substitution?	• Volume and value of (local and export) market demand in the last 5 years. • Volume of unmet market demand • Price of products (and variations during the year) • Volume of production and consumption • Share (%) of the value chain/sector in Gross Domestic Production (GDP) and export value	• National statistics • OECD, ITC and CBI database • Existing market surveys and value chain analysis reports
	Opportunities for employment creation	4. How many persons (male/female) are currently (self) employed in the value chain (sector)? (estimation) 5. Has the (self) employment in the sector in last 5 years increased, decreased or remained the same? And what are drivers/ causes? 6. Which are the growth prospects and opportunities for employment creation?	• Number of persons (M/F) (self) employed in the value chain (sector) and trends. • Labour intensity: number of persons employed in various VC stages • Number and size (workers) of SMEs in the value chain, both formal and informal • Available labour force (size, skills and education)	• National Labour Statistics • Business associations and unions annual reports and websites
	Comparative advantage of production **Level of competitiveness (in comparison to competing producers)**	7. What are the production costs/unit, relative to the benchmark? Can the product be supplied to the buyer/ consumer at attractive prices? 8. What are the other comparative (dis) advantages of the product/VC in national and export markets? E.g. product differentiation, product quality, standards/ labelling, image, proximity to markets, other. 9. Which competing imported products are found in the markets, for which price, which quality? Can local products substitute imports? How? 10. Are infrastructure, qualified labour force, raw materials, and inputs sufficiently available at comparative price and quality? 11. Do enterprises in the sector have the management and technical capacity for upgrading and innovation?	• Cost of production/unit • Prices of products • Quality of products • Certification /labelling • Proximity to market • Costs and possibilities for packaging • No and type of key competing products • Prices and quality of (imported) key products • Labour costs (compared to surrounding producing areas) • Presence of key inputs, resources and skills	• Business associations of specific sector • Reports/ analyses of global or regional sector/ commodity organisations

DIMENSION	Key criteria	Guiding questions	Suggested indicators	Sources of data (More sources in Annex 5)
USE HOT SPOT ANALYSIS HERE (Annex 3): This analysis tool will help you to answer the guiding questions and find the data on the mentioned criteria.				
ENVIRONMENTAL	**Impact of the value chain functions on the environment**	**1.** Which environmental issues do play a role in the VC and how? **2.** Which (natural) raw materials are used in the VC? **3.** Which type and level of energy is consumed? **4.** Does the VC have impact on land and its future production potential? If so, what impact? **5.** Which impact has the VC on water resources (consumption, pollution, quantity/quality)? **6.** Does the VC cause (low/high levels of) air pollution, GHG emissions, and waste? If so, which? **7.** (How) does the VC impact on biodiversity?	• Use (and origin) of raw materials • Energy (non-renewable) consumption levels • Level of soil or soil fertility loss • Water consumption and/ or pollution • air pollution level • GHG emissions level • Waste produced • Carbon footprint • (Key) impact on biodiversity	• Hot spot analysis • Reports/ research from other organizations in the VC; • Own assessment / research of VC & context
	Impact of the environment on value chain functions *(Low) vulnerability of the value chain to (degraded) environment and climate change.*	**8.** How vulnerable is the VC (or specific sections) to climate change and degraded environment? **9.** What is the impact of extreme weather, rising temperatures, reduced rainfall (reliability)/water availability on the (performance) of the VC? (determinates risks) **10.** To what extent is the VC able to cope with the negative impacts of climate change? (risks for and sensitivity of the VC) **11.** Are the VC actors able to adapt themselves? (their adaptive capacity determines the severity of the risk)	• Level of vulnerability of VC (sections) to rising temperatures, reduced water availability, less (reliable) rainfall, etc. • Adaptive capacity of the actors in VC	• Hot spot analysis • Own research/ assessment • Availability of alternative inputs or technologies for the VC
	Green opportunities	**12.** What is the potential in the VC for products and/or services which are conducive for a green economy? **13.** What is the potential in the VC for products and/or services that compensate for GHG emissions?	• List of concrete new products and/or services with low levels of GHG emission, pollution, waste, resource use; or using cradle to cradle concept.	• Hot spot analysis
SOCIAL	**(Prospects for) Inclusion of disadvantaged groups (poor, women, youth, refugees, minorities, handicapped, …)**	**1.** Do disadvantaged groups have a (potential) function in the VC? If so, which group, which function/role? **2.** Is the number of disadvantaged groups active/employed in the value chain relatively high? Of which groups? **3.** Do they have the necessary skills or what is necessary to achieve those and is this feasible? **4.** Do disadvantaged groups control assets, equipment, and sales income? **5.** Which are the barriers to enter the VC for disadvantaged groups? What are the causes?	• List of (type of) functions of disadvantaged groups • Share (number) of disadvantaged group members active in the VC • Access and control to resources and assets • Skills requirements vis-à-vis available skills of disadvantaged groups • Type and level of barriers, and availability of solutions	• Own assessment • Expert interview • Research/ analysis on specific disadvantaged groups by other organisations, institutions.

DIMENSION	Key criteria	Guiding questions	Suggested indicators	Sources of data (More sources in Annex 5)
SOCIAL	**Working conditions**	**6.** What are the health and safety risks for entrepreneurs and workers in the (different stages/functions of the) VC? **7.** How prevalent is freedom of association and how is it regulated? **8.** Is child and/or forced labour present in the VC? Is so, at what level and in which activities?	• List and level of health and safety risks. Incidence of occupational accidents in the workplace; working time lost due to sickness; worker perceptions of physical and mental well-being • Existence of freedom of association/collective bargaining regulations and laws; coverage of workers/ enterprises in practice; workers' recognition of right to organize • Number or percentage of child and/or forced labourers • Relevant regulations, and enforcement, by companies, government and/ or other institutions/ standard bodies (see also institutional dimension).	Primary: • Enterprise/worker Surveys • Human rights risks assessment in the sector/ value chain: specific focus on labour rights. Secondary: • Labour force surveys • Business registers • State reports, population censuses • UN country reports
	Impact of the value chain on surrounding communities	**9.** (How) are the right to food, right to health, right to property (land) and right to water (access and use) of surrounding communities respected? **10.** Is there a risk of the VC causing or being subject to conflict(s)/ tensions in society? If so, explain how and why. **11.** Do individuals, workers or communities have access to grievance mechanisms in case of human rights violations? **12.** Are there any other risks of human rights violations in the value chain?	• Risks for and type of violations (food, land, water, health) in surrounding communities. • Potential conflicts (and costs) between VC actors and communities • Relationship between tensions and conflict in a country and the VC: e.g. inclusions/ exclusion of certain minorities.	• Human Rights risks assessment in the sector/ value chain. • Human Rights Risk Atlas (Maplecroft) • Human rights and Business Country Guide (DIHR)
INSTITUTIONAL	**Reason(s) and need for public investment**	**1.** What cannot be solved by the market/private sector itself? Why is public investment needed? What difference will public investment make?	• List of constraints (and type of constraints) that cannot be solved by the market itself • Expected difference(s) the public investment will make	• Existing VC or sector studies • VC or sector specialists
	Evidence of private sector, government and/ or donors having plans for investment in the value chain	**2.** Do private sector, donors and/or governments invest in the VC, or have realistic plans to do so? Who has which plan?	• List (and type) of relevant economic support programmes running and planned for • Volume of budget allocated by different actors	• VC specialist • Interview with support organisation • Government multi-annual plans and budgets

DIMENSION	Key criteria	Guiding questions	Suggested indicators	Sources of data (More sources in Annex 5)
	Sector (promotion) policies and regulations are in place and effective	**3.** Are sector (promotion) policies and regulations in place and effectuated/ enforced? **4.** Does the government provide tangible support or can this be expected? If so, provide list and evidence of the support **5.** Do producers have (easy) access to markets? Are there physical, regulatory or other obstacles to enter the market?	• Government statements and policies. • Quality of implementation modality • Ranking in Ease of doing business report; list of most and least important constraints • Enabling environment for green opportunities, e.g. innovations, regulations, subsidies	• Government multi-annual plans and budgets. • Government speeches. • World Bank: Doing business reports
	Chain actors / government / donors / support organizations' readiness to change, to collaborate and to align interventions	**6.** Are chain actors open minded for exchange and cooperation? Why? **7.** Which donors /support organisations are ready to collaborate? And why? **8.** What is the potential (win-win) for increased cooperation between actors and supporters of the value chain? **9.** Are there conflicting donor/government intervention strategies which may affect the impact of the program? If so, which?	• Open mind and attitude for exchange and cooperation. • Number and type of joint initiatives between VC actors; • Contribution (budget or services) by donor and VC support organisations • Size or volume (budget) of joint initiatives or actions • Absence /Existence of conflicting intervention strategies	• Statements of the mentioned actors and stakeholders
	Feasibility of the intervention	**10.** Is the innovation tested and validated? **11.** Is the organizational capacity of actors sufficient for the tasks ahead? **12.** Are business development services and other support services for quality improvement of the various VC stages sufficiently available and affordable? **13.** Are project finances available?	• Available evidence of tested and validated innovation • List of services and prices of services • Demand for the services • Project budget secured	• Feasibility report

Other tools

These guidelines complement the VC selection chapters of the existing methods used by GIZ (ValueLinks) and ILO (Value chain Guide for Decent Work). However, there are many other effective tools that can be helpful in addressing specific issues in value chain selection, as well as in the subsequent phases of analysis and intervention design. Annex 6 provides an overview of the tools with a short explanation on how they might be useful. We highlight a few here:

- For projects with a market system approach, see M**aking Markets work for the Poor (M4P) Operational guide**. It provides a comprehensive description for selecting so called 'market systems' (p 10-11). See Annex 6, tool no 5.
- For projects working in fragile states and/or (post) conflict contexts, see USAID's **'Conflict-sensitive approaches to value chain development'** (2008). It provides an overview of approaches in conflict sensitive situations and how to address relevant challenges in the value chain. See Annex 6, tool no 22.
- For projects with a human rights focus, see UN guide **'The corporate responsibility to respect Human Rights'** for effective implementation of the United Nations Guiding Principles on Business and Human Rights (UNGP). The '**Conducting an Effective Human Rights Impact Assessment**' tool provides step-by-step guidance and examples for identifying human rights risks for companies. See Annex 6, tool no 19 and 20.

- When considering gender in value chain development, the Toolkit '**Gender in Value chains**' (AgriProFocus, 2014) and specifically tool 2.1 provides a more extensive list of criteria and guidance for gender-sensitive selection of value chains. The outcome of this tool is a matrix that cross analyses potential for growth and gender equality improvements. The toolkit contains tools for subsequent phases in VCD as well. See Annex 6, tool no 10.

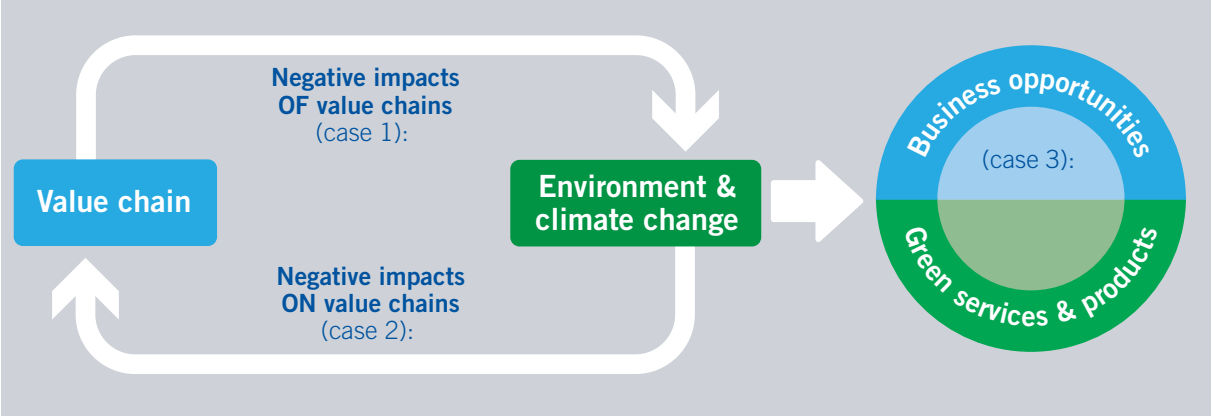
Environmental dimension

The environmental dimension includes three key criteria (see table 3), which are based on the GIZ concept note 'Greening value chains' (see also Annex 3) and considers three different scenarios:

1. **Value chains causing negative environmental impacts (including GHG emissions):**
   A value chain should be environmentally friendly, i.e. economic development should be as resource-efficient as possible, or – if this is not feasible – it should fully account and compensate for the imposed environmental costs.
2. **Value chains affected by climate change and environmental degradation:**
   The value chain should be resilient, i.e. be able to resist, circumvent or compensate for climate change and increasing resource scarcity.
3. **Value chain services and products that compensate for GHG emissions or contribute to the creation of a green economy:**
   The third interaction between value chain development and the ongoing environmental degradation and climate change relates to the introduction of innovative technologies, products and services that are necessary for the evolution of a green economy.

In figure 4 below these three situations (or cases) are illustrated.

Figure 4: The three types of interactions in the hot spot analysis in the environmental dimension.



The guidelines use the hot spot analysis (HSA) in the value chain selection process. HSA is a *qualitative* tool that identifies environmental hot spots along the value chain and is often done through stakeholder consultation. A hot spot indicates critical problems related to inefficient resource use, high Green House Gas (GHG) emissions and further environmental problems throughout the value chain. The results of this analysis can feed into your 'overall scoring matrix' (Excel). Annex 3 describes the Hot Spot Analysis in more detail and contains tables to analyse the three different scenarios. For a complete overview of the Hot Spot Analysis method, see Bienge et al (2012)[6].

Social dimension

The social dimension includes a wide scope of issues, like equity, equality, access to resources and benefits, participation, inclusiveness and many other issues. Three key criteria are listed below, that were considered most important and/or widely used by consulted practitioners.

1. **Inclusiveness of specific disadvantaged groups**, which are not (optimally) integrated in the value chain and as a result realise fewer benefits from economic development. Such disadvantaged groups include poor communities, smallholders, women, youth, refugees, disabled people or ethnic minorities. The causes for exclusion are manifold and can relate to issues like discrimination, political tensions, lack of educa-

tion, power indifferences or neglect by governments, inadequate access to finance or business development services and others. When capacities and talents of certain groups are under-utilized, opportunities may be missed at high costs. See the box below on gender and youth for examples that are relevant for other target groups as well.

Business arguments to include women and youth in value chain development

There are several arguments for using a gender and youth lens in value chain development.

- Inclusive development, for both youth and women, does not only benefit those previously excluded, but also **optimizes the capacities of a broader range of people**.
- Women often play an important, but invisible role in value chains, thus they can play an important role in **upgrading strategies as well.**
- Gender inequality can result in missed business opportunities in value chains.

Inequality is simply inefficient and hinders development in the value chain. This perspective is especially used by international economic institutions, such as the World Bank. Looking at the different roles and tasks of men and women using a gender lens while identifying and addressing bottlenecks for value chain development can expose the high economic costs of inequality, which often leads to wasted human resources and missed opportunities.

Including youth in value chain development, especially in agriculture, secures a sustainable value chain for the future. The average age of farmers is rising, and youth is losing interest in the conventional agricultural sector. Knowing what makes value chains interesting for youth and addressing the main constraints for youth to enter certain value chains is a win-win for youth, companies and the wider society. Youth can be an ideal catalyst for change given their greater propensity and willingness to adopt new ideas.

2. **Working conditions.** Decent working conditions are a core part of job quality that allow workers and their families to lead overall safer and more secure lives. Improving working conditions can also lead to a host of other improvements in the value chain. For example, cleaner and safer workplaces can lead to greater productivity and, in effect, increased income and job creation. Selecting value chains for improving job quality can take on several different aspects, including some of the more common issues like occupational health and safety (OHS), freedom of association, and absence of child or forced labour, but may also include others such as social protection, contract security, collective bargaining, discrimination, and working time. All aspects of decent work are mutually supportive, but depending on the local context it may be more practical to focus more directly on one or two. Regardless, taking working condition issues—including why and where they exist in the value chain and by whom—into account when selecting a value chain is imperative to achieving potential social impact.

3. **Human rights** as they relate to conflict and tensions in surrounding communities and society. Specific attention should be given to the rights to food, water (access and use), health, and land use and ownership of surrounding communities. Another important aspect to consider is the (possible) impact of the value chain on conflict(s)/ tensions in society, e.g. the inclusion/ exclusion of certain groups or minorities, and how existing conflict(s) and tensions influence the development of the value chain. Are grievance mechanisms in place, in case of human rights violations? Preventing conflicts or tensions with surrounding communities on land, water, food and other resources may significantly reduce claim costs and reduce investment risk. See the box below for more information on Business and Human Rights.

6 Katrin Bienge, Justus von Geibler and Michael Lettenmeier 'Sustainability Hot Spot Analysis: A streamlined lifecycle assessment towards sustainable food chains', Paper presented at the 9th European IFSA Symposium,4–7 July 2010, Vienna (Austria).

Human Rights and Business in value chain development

In recent years, human rights have become increasingly relevant for companies and value chain developers. The endorsement of the United Nations Guiding Principles on Business and Human Rights (UNGP) in 2011 was an important milestone in this context. The UNGP on Business and Human Rights have set a universal standard for responsible business, explicitly referring to human rights treaties/agreements, acknowledging that, while states have the duty to protect human rights, private companies, no matter how big or small, have a similar duty to respect those rights. Since these principles were established, many initiatives have followed to discuss and promote their implementation. As a result of increased consumer awareness and a growing demand for corporate accountability and respect for human rights, this topic is becoming one of the priorities for companies and value chain developers.

Not respecting human rights can have many adverse impacts that can manifest in various ways. One example is the issues around child labour or the rights of surrounding communities to food, water and land, which can occur in each phase of the value chain. By systematically integrating human rights into the program design and implementation, a value chain development program can prevent negative human rights impact from being overlooked. In doing so, the program can be proactive and not reactive when it comes to addressing these types of issues. It is therefore important for value chain developers to understand the human rights at risk in any selected value chain. Such an assessment should not only look at the rights of those actors directly involved in the value chain, i.e. the rights of the employees of a supplying company, but also those of the surrounding community members whose livelihoods and lifestyles might be negatively or positively impacted by the resulting given economic activity.

Applying a human rights lens to value chain development is important to the in-depth analysis phase and during implementation. In the program phases, one can assess the different human rights risks throughout the value chain and design its interventions in such a way that minimizes risks and mitigates negative impact. It is preferable to pay attention to human right risks during the value chain selection phase, as this would entail making an assessment of the most important human rights risks in a given value chain and defining criteria for a 'go' or 'no go' decision for your program.

Having criteria in the social dimension has also been taken into account in the guidelines, as we anticipate that human rights will gain more traction in the public and private sectors in the coming years.

(Source: FSAS expert on Human Rights and Business)

Trade-offs

When analysing the different value chains during the selection phase, it is important to take into account the trade-offs (or compromises) between dimensions in order to address conflicting objectives. See box below.7

Trade-offs

When analysing the different value chains during the selection process, it is important also to look at the (potential) trade-offs. Choices made in the selection process might include several trade-offs and unintended side effects[7] on an array of factors such as wages, job quality/security, the environment, or the exclusion of certain societal groups. These effects are closely interlinked; for example, improvements in one field may cause deterioration in another. Defining the net effect of changes in the value chain organization is not an easy undertaking because the changes tend to create both winners and losers. Examples include

- Shifting from in-house production to external suppliers may reduce relatively well paid wage labour in the lead firm and increase lower quality jobs in supplier firms;
- Inducing firms to adopt local small-scale suppliers will be favourable for the income of the small suppliers and for local technological learning but may lessen the efficiency of the supply chain.
- Increasing environmental and social standards may raise costs and jeopardize competitiveness vis-à-vis competitors with lower standards. For instance, in some countries certified 'sustainably produced' timber has difficulties competing with cheap illegal timber that does not take into account any social or environmental criteria. Unless the sustainably produced timber serves a market segment where it receives a premium price to cover the additional costs, it will lose out on opportunity.

Trade-offs may occur in each project and it is important to identify these as soon as possible. If unacceptable consequences are identified, this would lead to a 'no-go' decision (rejection) for that particular subsector or value chain. Examples of unacceptable consequences may include a situation where the majority of SMEs in the value chain are losing their business case or are operating in illegal working conditions. By using a portfolio approach, one can use different criteria for different VCs, for example gender in one VC and environmental criteria in another.

Setting minimum standards, goals or requirements for the various dimensions can help in this process of identifying trade-offs.

7 Source: Altenburg/DCED(2007). See http://www.die-gdi.de/en/publications/manuskripte-oeffentlich/article/donor-approaches-to-supporting-pro-poor-value-chains/

VII. Practical considerations

Budgeting

When planning a project, forward looking budgeting is critical to the overall success of the project. In considering the financial needs of a project, sufficient resources should be allocated to the selection and analysis phase. The total budget amount is highly dependent on the project size, the number of shortlisted value chains, and many other factors, but there are many recurring items that are involved in nearly every project and are important to consider. Budget items may include field trip costs, transport, subsistence and travel allowance, costs for workshops (room rental, materials, refreshments, etc.), and consultant and facilitator fees. When project staff is engaged, the cost item is their time in working days, and the benefit is their buy-in and capacity development at the same time. It is advised to ensure that staff allocate sufficient time for the program from the beginning, as making additions to staff time after the project is underway can cause delays. Overall, proper and accurate budgeting can enable a project to reach its full potential, while poor estimates can limit a project's effectiveness.

Duration of selection phase

The duration of the value chain selection phase depends on several factors including, but not limited to the availability of information, scope of the program (narrow or wide), the total length of the program and the available budget. Experience indicates that the length of a selection phase can range anywhere from one up to six months. Arriving at a well-informed decision that is supported and approved by stakeholders can take time and requires varying levels of input, the involvement of stakeholders and good data collection and analysis. The time that is ultimately allocated to the selection phase should be balanced with the total length of the program. For example, six months for the selection phase may be too long for a program of 2 years, but suitable for a program of five years. The importance of this phase both within the program or organization and externally to partners and donors should be communicated from the inception of the project, and all parties should agree on the time and resources that are to be allocated to the selection phase.

Availability of reliable data

In many countries, finding reliable data (e.g. statistics), is often one of the most challenging tasks in the initial research. During the selection phase, it is critical to find the data that will enable you to answer the basic questions that are necessary to decide which value chain to select and guide the rest of the project work (see questions and criteria selected in step 3).

Some helpful sources of data may include the following:
1) National statistics
2) Reports of other support organizations, donors and business associations
3) Interviews (with stakeholders)
4) Expert opinions
5) New (market) research

For more sources of data, especially statistics and about markets, see Annex 5. It is important to think of any special permissions or clearances that consultants may need in order to procure the proper 'access' to the data you are looking for. You can validate data by triangulation by using different sources of information to cross-check the available data with experts and stakeholders and vice versa. Doing so will help you to find the answers you need when data availability is particularly challenging. In certain cases, you have to be pragmatic and work with the information that is available, even when this is mainly based on opinions of stakeholders or experts, and include many estimations and assumptions. When this is the case, you must us the information at hand, consider any information gaps, and make the best informed decision you can, adapting your focus and interventions along the way. If sufficient time and resources are available, conducting primary research either by independently or with a consultant to find the required information might be necessary. Another option is to drop certain VCs, because when the available information is insufficient, the risk of overlooking factors which can affect the overall project impact is too high. Overall it is critical to be aware of the general availability of reliable data and to record and/or report the reasons for the choices that are made as a result; this will allow others to understand the implications of the project results in the appropriate context.

Annex 1: List of key and additional criteria

Below is a list of all criteria, guiding questions, indicators and sources of data for the four dimensions. It is similar to Table 3 in chapter VI but with some additional (optional) criteria. Key criteria are in bold and additional criteria italicized.

DIMENSION	Key and *additional* criteria	Guiding questions	Suggested indicators	Sources of data (More sources in Annex 5)
ECONOMIC	**Market demand prospects (local and/or export)**	**4.** What are the prospects for market growth? **5.** Is there (seasonally) unmet market demand? Are traders/customers willing to buy more of the product/ service? **6.** Is there scope for import substitution?	• Volume and value of (local and export) market demand in the last 5 years. • Volume of unmet market demand • Price of products (and variations during the year) • Volume of production and consumption • Share (%) of gross domestic production (GDP) • Volume and value of export and import	• National statistics • OECD, ITC and CBI database • Existing market surveys and value chain analysis reports
	Opportunities for employment creation	**7.** How many persons (male/female) are currently (self) employed in the value chain or sector? (estimation) **8.** Has (self) employment in the sector in the last 5 years increased, decreased or remained the same? What are the drivers/causes? **9.** What are the growth prospects and opportunities for employment creation?	• Number of persons (M/F) (self) employed in the value chain or sector and trends. • Labour intensity: number of persons employed in various VC stages • Number and size (workers) of SMEs in the value chain, both formal and informal • Available labour force (size, skills and education)	• National Labour Statistics • Business associations' and unions' annual reports and websites
	Prospect for (local) value addition	• What has been the added value in the (sub-) sector in the last 5 years? (estimation) • Has the added value in the sector in the last 5 years increased, decreased or remained the same? • Can new products/services be developed through processing or product improvement for which a market exists?	• Added value in the (sub-) sector in the last 5 years	• National Statistics • Sectoral (business) associations; • Chamber of commerce

DIMENSION	Key and *additional* criteria	Guiding questions	Suggested indicators	Sources of data (More sources in Annex 5)
ECONOMIC	**Comparative advantage of production Level of competitiveness (in comparison to competing producers)**	**7.** What are the production costs per unit relative to the benchmark? Can the product be supplied to the buyer/ consumer at an attractive price? **2.** What are the other comparative (dis) advantages of the product/VC in national and export markets? E.g. product differentiation, product quality, standards/ labelling, image, proximity to markets, other. **9.** Which competing imported products are found in the markets, for what price, and at what quality? Can local products substitute imports? How? **10.** Are infrastructure, a qualified labour force, raw materials, and inputs sufficiently available at comparative prices and sufficient quality? **11.** Do enterprises in the sector have the management and technical capacity for upgrading and innovation?	• Cost of production/unit • Product prices • Product quality • Certification /labelling • Proximity to market • Costs and possibilities for packaging • -No and type of key competing products • Prices and quality of (imported) key products • Labour costs (compared to surrounding production areas) • Availability of key inputs, resources and skills	• Business associations • Reports/ analyses of global or regional sector/ commodity organisations
	Profitability: Level of net profits by (potential) SMEs in the sector	• Prices of products/services • What is the level of net profits by (potential) SMEs in the sector?	• Prices of products and services • Costs of production • Tax levels	• Government statistics
ENVIRONMENTAL	**USE HOT SPOT ANALYSIS HERE (Annex 3): This analysis tool will help you to answer the guiding questions and find the data on the mentioned criteria.**			
	Impact of the value chain functions on the environment	**10.** Which environmental issues play a role in the VC and how? **11.** Which (natural) raw materials are used in the VC? **12.** Which type and at what level of energy is consumed? **13.** Does the VC impact on the land and its future production potential? How so? **14.** What impact does the VC have on water resources (consumption, pollution, quantity/quality)? **15.** Dowes the VC cause (low/high levels of) air pollution, GHG emissions, and waste? If so, which? **16.** (How) does the VC impact on biodiversity?	• Use (and origin) of raw materials • Energy (non-renewable) consumption levels • Level of soil or soil fertility loss • Water consumption and/ or pollution • Air pollution level • GHG emissions level • Waste produced • Carbon footprint • (Key) impact on biodiversity	• Hot spot analysis • Reports/ research from other organizations in the VC; • Own assessment / research of VC & context
	Impact of the environment on value chain functions *(Low) vulnerability of the value chain to (degraded) environment and climate change.*	**17.** How vulnerable is the VC (or are specific sections of the VC) to climate change and environmental degradation? **18.** What is the impact of extreme weather, rising temperatures, reduced rainfall (reliability)/water availability on the (performance) of the VC? (determines risks) **19.** o what extent is the VC able to cope with the negative impacts of climate change? (Risks for and sensitivity of the VC) **20.** Are the VC actors able to adapt themselves? (Their adaptive capacity determines the severity of the risk)	• Level of vulnerability of VC (sections) to rising temperatures, reduced water availability, less (reliable) rainfall, etc. • Adaptive capacity of the actors in VC	• Hot spot analysis • Own research/ assessment • Availability of alternative inputs or technologies for the VC

DIMENSION	Key and *additional* criteria	Guiding questions	Suggested indicators	Sources of data (More sources in Annex 5)
	Green opportunities	**21.** What is the potential in the VC for products and/or services which are conducive for a green economy? **22.** What is the potential in the VC for products and/or services that compensate for GHG emissions?	• List of concrete new products and/or services with low levels of GHG emission, pollution, waste, resource use; or using cradle to cradle concept.	• Hot spot analysis
SOCIAL	**(Prospects for) Inclusion of disadvantaged groups (poor, women, youth, refugees, minorities, handicapped, etc.)**	**1.** Do disadvantaged groups have a (potential) function in the VC? If so, which groups, and which function/role? **2.** Is the number of disadvantaged groups active/ employed in the value chain relatively high? For which groups? **3.** Do they have the necessary skills, and is greater inclusion feasible? **4.** Do disadvantaged groups control assets, equipment, and sales income? **5.** What are the barriers to entry for disadvantaged groups? What are the causes?	• List of (type of) functions of disadvantaged groups • Share (number) of disadvantaged group members active in the VC • Access and control to resources and assets • Skills requirements vis-à-vis available skills of disadvantaged groups • Type and level of barriers, and availability of solutions	• Own assessment • Expert interviews • Research/ analysis on specific disadvantaged groups by other organisations or institutions.
	Working conditions	**6.** What are the health and safety risks for entrepreneurs and workers in the (different stages/functions of the) VC? **7.** How prevalent is freedom of association, and how is it regulated? **8.** Is child and/or forced labour present in the VC? Is so, at what level and in which activities?	• List and level of health and safety risks; incidence of occupational accidents in the workplace; working time lost due to sickness; worker perceptions of physical and mental well-being • Existence of freedom of association/collective bargaining regulations and laws; coverage of workers/ enterprises in practice; workers' recognition of right to organize • Number or percentage of child and/or forced labourers • Relevant regulations and enforcement, by companies, government and/or other institutions/ standard bodies (see also institutional dimension).	Primary: • Enterprise/worker surveys • Human rights risks assessment in the sector or value chain with specific focus on labour rights. Secondary: • Labour force surveys • Business registers • State reports, population censuses • UN country reports
	Impact of the value chain on surrounding communities	**9.** Are the rights to food, health, property (land) and water (access and use) of surrounding communities respected? How? **10.** Is there a risk of the VC causing or being subject to conflict(s)/ tensions in society? If so, how and why? **11.** Do individuals, workers or communities have access to grievance mechanisms in case of human rights violations? **12.** Are there any other risks of human rights violations in the value chain?	• Risks for and type of violations (food, land, water, health) in surrounding communities. • Potential conflicts (and costs) between VC actors and communities • Relationship between tensions and conflict in a country and the VC: e.g. inclusions/ exclusion of certain minorities.	• Human Rights risks assessment in the sector/ value chain. • Human Rights Risk Atlas (Maplecroft) • Human Rights and Business Country Guide (DIHR)
	Prospects of products/services for the Base of the Pyramid (BoP)	• What are the prospects for generating new products/services that are affordable for the Base of the Pyramid (BoP)? • Does the product serve the specific needs/ demand of poor communities	• List and estimated price of new products/services • Availability/ distribution of products/services to poor communities.	• Existing or own assessment

DIMENSION	Key and *additional* criteria	Guiding questions	Suggested indicators	Sources of data (More sources in Annex 5)
INSTITUTIONAL	**Reason(s) and need for public investment**	**1.** What cannot be solved by the market/private sector itself? Why is public investment needed? What difference will public investment make?	• List (and types) of constraints that cannot be addressed by the market itself • Expected impact of public investment	• Existing VC or sector studies • VC or sector specialists
	Evidence of private sector, government and/ or donors having plans for investment in the value chain	**2.** Do private sector, donors and/or governments invest in the VC, or have realistic plans to do so? How?	• List (and type) of relevant existing or planned economic support programmes • Budget allocated by different actors	• VC specialists • Interviews with support organisations • Government multi-annual plans and budgets
	Sector (promotion) policies and regulations are in place and effective	**3.** Are sector (promotion) policies and regulations in place and enforced? **4.** Does the government provide tangible support or can this be expected? What and how? **5.** Do producers have (easy) access to markets? Are there physical, regulatory or other obstacles to enter the market?	• Government statements and policies • Quality of implementation modality • Ranking in the World Bank Doing Business report; list of most and least important constraints • Enabling environment for green opportunities, e.g. innovations, regulations, subsidies, etc.	• Government multi-annual plans and budgets • Government speeches. • World Bank: Doing Business reports
	Chain actors/ governments/ donors/support organizations' readiness to change, collaborate and align interventions	**6.** Are chain actors open to exchange and cooperation? Why or why not? **7.** Which donors/support organisations are ready to collaborate? Why or why not? **8.** What is the potential (win-win) for increased cooperation between value chain actors and supporters? **9.** Are there conflicting donor/government intervention strategies which may affect the impact of the program? If so, which?	• Positive attitude towards exchange and cooperation • Number and type of joint initiatives between VC actors • Contribution (budget or services) by donor and VC support organisations • Size or volume (budget) of joint initiatives or actions • Absence/Existence of conflicting intervention strategies	• Statements from stakeholders
	Scalability	• What is the possibility of adoption of the innovation or improved practices by a large group of actors without the need to invest an equivalent amount of capital as was done in the pilot (test) phase?	• Upscaling strategy formulated and realistic	• Project documentation, or from previous projects
	Feasibility of the intervention	**10.** Is the innovation tested and validated? **11.** Is the organizational capacity of actors sufficient for the tasks ahead? **12.** Are business development services and other support services for quality improvement of the various VC stages sufficiently available and affordable? **13.** Are project finances available?	• Available evidence of tested and validated innovation • ist of services and prices • Demand for services • Project budget secured	• Feasibility report

Annex 2: Country cases

Scoring matrix from Yemen

The table below shows the 'overall scoring matrix' developed for the GIZ program 'Private Sector Development Programme (PSDP)' in Yemen, in 2014[8], with which the GIZ sector project 'Innovative Approaches of Private Sector Development' piloted the guidelines. The matrix was completed by a regional expert and includes the criteria, weights and scores used, as well as the rationale for the scores. Two subsectors are compared—furniture for institutions (such as schools, offices, small health stations) and waste recycling—providing an example of how the overall scoring matrix can be used as a decision-making tool in the value chain selection process.

ASSESSMENT AND SCORING OF (SUB-) SECTORS

Country: Yemen			**(SUB-) SECTORS**					
DIMENSION KEY CRITERIA		**Weight of criteria of total**	**Furniture**			**Waste Recycling**		
I	**ECONOMIC**	35%	score	weighted score	Underlying data for score	score	weighted score	Underlying data for score
a	**Employment promotion:**							
1	• opportunities for employment/new job creation	5%	3	0.15	Currently the furniture manufacturers employ around 10 to 20 workers per factory. Growth could contribute to immediate jobs for skilled workers.	3	0.15	The sector can potentially create many jobs for unskilled workers involved in the collection and segregation of waste. However, the sector is projected to grow very slowly due to the absence of a local industry for waste recycling and strong competition in the international market. The impact of the project on employment will be limited to niche opportunities.
b	**Sector growth potential:**							
2	• (unmet) local or export market demand	4%	3	0.12	Instability has hurt current demand, which is mostly met through imports. Institutional growth (hospitals, office and schools) suggests that there is room for further expansion of production by local manufacturers if they are able to compete with imported furniture.	3	0.12	Not much local market demand. High demand for the materials from China, India, Pakistan, Bangladesh, Dubai: plastic, oil, carton, tyre, PET, metals (aluminium).

8 Innovision Consulting, 2014. *'Mission Report Economic Evaluation of Sectors of the Economy, taking into account Ecological and Social Criteria: Development and Piloting of Methodology Guidelines for Planners and Development Projects'.*

ASSESSMENT AND SCORING OF (SUB-) SECTORS

Country: Yemen			(SUB-) SECTORS					
DIMENSION KEY CRITERIA		**Weight of criteria of total**	**Furniture**			**Waste Recycling**		
I	**ECONOMIC**	35%	score	weighted score	Underlying data for score	score	weighted score	Underlying data for score
3	• prospect for value addition	3%	2	0.06	Furniture is a high value-added product. Prospects for further value addition are limited.	4	0.12	Prospects for value addition are very high, but the absence of a local market means that the project will have to explore niche opportunities (for instance, production of recycled paper and handicrafts in cottage based industry) first and then cautiously explore opportunities for industrial scale operations for production of value-added products like compost.
4	• prospects for growth in demand in local market or export market	3%	3	0.09	Institutional growth (hospitals, office and schools) suggests that there is room for further expansion of production by local manufacturers if they are able to compete with imported furniture.	3	0.09	Low prospect for growth in the local market. International market (MENA, GCC countries and the Indian Subcontinent) is very attractive. However, Yemeni Waste recyclers are struggling because of high cost of sourcing, transportation and port handling.
C	**Competitiveness:**							
5	• comparative advantage (product differentiation, low cost of production, low price etc. relative to competitors) with a special focus on MSMEs to serve the local market	4%	2	0.08	Comparative advantage is low (raw material is imported, low cost of import, no protection for local industries).	2	0.08	Supply is inconsistent; factory sits idle. There is an absence of local technical know-how for local recycling and a high cost of investment for production of value-added recycled products. However, niche opportunities could be explored as is evident from the case of fish waste recycling.
6	• comparative advantage of MSMEs to serve the **export** market	4%	1	0.04	The sector does not cater to export market and it is unlikely to achieve competitiveness to cater to the export market since it is yet to achieve the required competencies to compete with import to cater to the local market.	3	0.12	Labour is cheap in comparison to Gulf countries, Several companies from Saudi Arabia are banned in Yemen. Subsidy on diesel adds to the attractiveness. Source separation and development of the supply chain for raw materials might help achieve growth in the export market in the long run.

ASSESSMENT AND SCORING OF (SUB-) SECTORS

Country: Yemen			(SUB-) SECTORS					
DIMENSION KEY CRITERIA		**Weight of criteria of total**	**Furniture**			**Waste Recycling**		
I	**ECONOMIC**	35%	score	weighted score	Underlying data for score	score	weighted score	Underlying data for score
d	**Profitability:**							
7	• level of net profits by (potential) SMEs in the sector	5%	3	0.15	High competition and low prices of imported equipment reduces price for the local manufacturers and therefore the profitability. However, profitability could be potentially increased by improving efficiency in the work place.	3	0.15	The current set ups are labour intensive. Because of comparatively low cost of labour and informal nature of the collection and segregation process, profitability is good, especially at the level of collection, segregation and bulking. However, it is low at the level of export which is evident from the fact that there is limited number of exporters engaged in the market
e	**Scalability:**							
8	• potential for engaging a large number of private sector enterprises at different stages of the value chain	4%	2	0.08	There are not many local manufacturers coming up, but there are trends and plans. Reasons- no market, no capital	2	0.08	Number of private sector enterprises currently engaged in the sector is low; it would take time to engage large number of enterprises
9	• potential for replicating the intervention in different parts of the country	3%	2	0.06	No markets or people prefer locally made products; no encouragement from the government; no facilities to expand.	2	0.06	The intervention could be replicated in all major cities in Yemen; however, currently the private sector is concentrated in a few cities (Sana'a, Aden, Hadhramout). Also, it would be highly expensive for the project to support replication of the interventions across Yemen. The security threat will also impede investment in the country.
				0.83			**0.97**	

ASSESSMENT AND SCORING OF (SUB-) SECTORS

Country: Yemen			**(SUB-) SECTORS**					
DIMENSION KEY CRITERIA		**Weight of criteria of total**	**Furniture**			**Waste Recycling**		
II	**ENVIRONMENTAL (informed by results of hot spot analysis)**	25%	score	weighted score	Underlying data for score	score	weighted score	Underlying data for score
a	**Environmental impact of the sector (resource use (land, water) and air pollution (GHG emissions)):**							
10	• low negative impact of sector on environment	9%	4	0.36	Impact of the sector on the environment is low (use of imported steel and processed wood; low level of extraction of timber; small scale factory operations reduce the volume of harmful waste).	4	0.36	Impact of the sector on the environment is low; the sector aims to reduce the harmful effect of waste by improving collection and reuse of waste.
b	**Impact of environmental degradation and climate change on the sector:**							
11	• low vulnerability of the sector to climate change and environmental degradation	8%	4	0.32	Vulnerability of the sector to climate is low	4	0.32	The sector is not affected by climate change or environmental degradation; however, rain affects the quality of waste that could be reused or recycled. Additionally, the depletion of Sana'a city's groundwater table is a threat to the production of value-added products like compost.
c	**Contributing to a green economy (adaptation):**							
12	• potential for products and/ or services that compensate for greenhouse gas (GHG) emissions	4%	1	0.04	No potential for product to compensate for GHG emissions	4	0.16	Recycling of organic waste could reduce the generation of methane gas, and GHG emitted in compost plants and could be used for electricity generation.
13	• potential for products and/ or services which are conducive to a green economy	4%	1	0.04	No potential for product to be conducive to green economy	4	0.16	Waste recycling contributes to a green environment and green economy.

ASSESSMENT AND SCORING OF (SUB-) SECTORS

Country: Yemen			(SUB-) SECTORS					
DIMENSION KEY CRITERIA		**Weight of criteria of total**	**Furniture**			**Waste Recycling**		
III	**SOCIAL (informed by Gender Youth criteria, see sheet):**	25%	score	weighted score	Underlying data for score	score	weighted score	Underlying data for score
a	**Inclusiveness: potential to include women and youth:**							
14	• Potential to engage poor entrepreneurs (small-scale production, low start-up costs, no major capital investment required, low-tech skills).	5%	2	0.1	The sector is capital intensive. It would be difficult to engage poor entrepreneurs.	2	0.1	There is a good opportunity to engage unskilled labour. However, the costs needed to set up a facility to engage a large number of enterprises in the industry's lower linkages (waste collection and processing) would be high.
15	• potential for income generation by women (as employees or self-employed)	5%	2	0.1	Women are currently not engaged; some potential exists to involve them on administration, marketing	2	0.1	There are good employment opportunities for women, especially in the field of packaging and sorting. Promising (sub-) sectors that show potential for job creation for women are fish waste recycling and handicrafts made out of used recycled paper. However, the prospect for large scale engagement is low.
16	• women's control over equipment, assets and sales income	5%	1	0.05	Women are currently not engaged and are therefore have no control over equipment, assets, sales and income	2	0.1	Participation of women is currently low. Potential depends on the success of interventions in engaging women entrepreneurs in the production and marketing of handicrafts and paper products produced from recyclable materials.
17	• potential for income generation by youth (as employees or self-employed)	5%	4	0.2	The sector is highly conducive to income generation for the youth, especially as skilled workers.	4	0.2	Opportunities for self-employment in collecting, running small shops, transportation, and handling
b	**Potential products for BOP**							
18	• potential for generating new products that are affordable for the poor (BoP)	5%	1	0.05	None	2	0.1	Potential for poor people buy cheap material and value-added products like handicrafts or packing materials

ASSESSMENT AND SCORING OF (SUB-) SECTORS

Country: Yemen			**(SUB-) SECTORS**					
DIMENSION KEY CRITERIA		**Weight of criteria of total**	**Furniture**			**Waste Recycling**		
IV	**INSTITUTIONAL**	15%	score	weighted score	Underlying data for score	score	weighted score	Underlying data for score
a	**Stakeholders' readiness for change and innovation:**							
19	• evidence of private sector having plans for investment in the value chain	3%	1	0.03	Not much other than the fact there has been an increase in the number of factories in recent years (exact number unknown)	2	0.06	High investment cost to set up a facility for finished products (for example, a recycled PET bottle production plant would cost US$1 million); instability deters investment; no cooperation by financial institutions; high interest rates
20	• tangible government support is provided or expected	3%	1	0.03	There is no assistance from the government, technically or in the form of infrastructural investments	3	0.09	Investment plans exist for solid waste management, mainly due to collaboration with development cooperation agencies.
21	• donors/support organisations are ready to collaborate and invest	3%	4	0.12	For the time being there is no support, but there will be in the near future (SMEPS)	2	0.06	Only support from the government in the field of waste management is the supply of basic machinery.
b	**Enabling policy and regulatory environment:**							
22	• sector promotion policies and regulations are in place and enforced	6%	2	0.12	Could not find any documented policy for sector development	2	0.12	The government does not promote the BASEL convention standards in waste disposal.
				0.3			0.33	
	TOTAL (max score = XX points)			**2.39**			**2.9**	

Lessons learned from Tunisia

The 3-year GIZ project 'Innovation, regional economic development and employment' (IDEE) in Tunisia, commissioned by the German Federal Ministry of Economic Cooperation and Development (BMZ), underwent a thorough value chain selection exercise—inspired by the *Guidelines for Value Chain Selection*—at the beginning of the project cycle in 2015 and came out with a number of lessons learned.

As for its methodology, the project team first compiled a shortlist of value chains by screening those whose activities were most strongly linked to the country's disadvantaged regions, which included both secondary and primary data collection, and resulted in a list of 8 value chains. In parallel, a preliminary list of criteria, covering the four main dimensions outlined by the *Guidelines*, and ranking system were established. In agreement with the partner ministry, the project carried out rapid analyses in each of the short-listed sectors. However, while the analyses were being conducted, the list of value chains grew to 10, with some value chains being eliminated and other ones added to the list at the request of the partner ministry. Finally, a half day workshop took place, in which the project team and consultants shared the findings of the analyses and scored the values chains, and a final report of the top 5 sectors submitted to the Ministry concluded the value chain selection process.

The project team reported a number of challenges and lessons learned during the selection phase. For one, working with the partner ministry throughout the decision-making process proved onerous, as it was more difficult to exclude sectors that clearly had low potential from the beginning, resulting in a significant amount of additional work. Because the project also expanded the list of sectors after the analyses had started, due to the ministry's request, this again put added stress on the team with adverse effects on the quality of analysis. While it is important to involve national stakeholders, allowing them too much control over the process can result in an overburden on staff and jeopardize results.

Another challenge faced by the project team with respect to working with national partners was in weighting the criteria groups. The three broad areas were 1) national strategy relevance, 2) economic, technological, and institutional maturity (including such criteria as market demand, competitiveness etc.), and 3) social and environmental criteria. While initially the Ministry preferred that the first category receive the strongest weight, based on its relative importance for determining in which sectors the project could achieve its objectives, the team was able to convince the Ministry to give stronger weight to the second category of criteria. This demonstrates how projects may have to press national partners in order to preserve the integrity of the process and final objective of the project.

Finally, the scoring process during the workshop could also be improved. When comparing individual evaluations, the project observed a large disparity between scores, which suggests that the participants didn't have a consistent understanding of the criteria, or had not received sufficient explanation. Taking the time, then, to ensure evaluators are well-informed of the criteria and their significance, especially in projects where the final selection is determined by the average of a relatively large scoring group, is vital for generating credible conclusions. Had the group of evaluators been determined earlier on, the project could have better educated them on the process and criteria, leading to more conclusive results. Alternatively, it may prove more advantageous to enlist fewer people in the final scoring.

While intensive, the process was transparent and mutually agreed upon with national partners, sufficiently based on analysis and investigative criteria, and led to a selection of value chains with prospects for meeting the project's objectives. The lessons learned from Tunisia can help guide other projects in anticipating the potential challenges and ways of overcoming them when undergoing the selection process.

Annex 3: Environmental dimension (Hot Spot Analysis)

The environmental dimension of value chain development may entail the following three situations, which are portrayed in the GIZ concept note 'Greening value chains ' (p.4, Table 1):

1. Value chains causing negative environmental impacts (including GHG emissions);
2. Value chains affected by climate change and environmental degradation; and/or
3. Value chain services and products that compensate for GHG emissions or contribute to the creation of a green economy.

The three situations, or interactions between the value chain and the environment, are not mutually exclusive. In fact, one single value chain may be affected by climate change and environmental degradation (situation 2) and simultaneously have negative external effects related to the climate and physical environment (situation 1).

The environmental sustainability of value chains includes the two dimensions shown in the first two columns of the table below. On the one hand, the value chain should be environmentally friendly, i.e. economic development should be as resource-efficient as possible, or, if this is not feasible, fully account and compensate for the imposed environmental costs (situation 1). On the other hand, the value chain should be resilient, i.e. able to resist, circumvent or compensate for climate change and increasing resource scarcity (situation 2).

These considerations refer to *any* value chain. Value chains must be upgraded or rebuilt to address the issues mentioned in the table below, according to the extent at which products and value chains are likely to affect or be affected by environmental degradation and climate change. This implies additional methodological steps in developing the value chain, such as environmental and climate change assessments and strategy adjustments.

The third interaction between value chain development and the ongoing environmental degradation and climate change relates to the introduction of innovative technologies, products and services that are necessary for the evolution of a green economy (situation 3). Promoting renewable energies and technologies that reduce emissions and/or waste, or services that increase resource efficiency, helps to 'green' other value chains that can make good use of these products and services. In this case, the general value chain development methodology applies, but with a special focus on market potential for new 'green' products.

The hot spot analysis (HSA) is a *qualitative* tool that is relatively low cost and not very demanding. Like the Life Cycle Analysis (LCA), the HSA aims at identifying ways to improve resource efficiency and reduce negative environmental impacts. For a full overview of the Hot Spot Analysis method, see Bienge et al (2012)[9] .

Hot spot analysis

In many cases, it is easier to restrict an analysis to a qualitative assessment. The method recommended here is a qualitative approach, based on stakeholder involvement, to **identify environmental 'hot spots' along the value chain**. Hot spots indicate critical problems related to inefficient resource use, high GHG emissions and further environmental problems at the various stages (or 'life cycle phases') of the value chain. A well-known methodology for 'hot spot analysis' was introduced by the Wuppertal Institute, which places focus on resource efficiency. In Germany, the method has been adopted by companies such as the retail company REWE. See Wallbaum and Kummer (2006)[10] (in German).

9 Katrin Bienge, Justus von Geibler and Michael Lettenmeier 'Sustainability Hot Spot Analysis: A streamlined lifecycle assessment towards sustainable food chains', Paper presented at the 9th European IFSA Symposium,4–7 July 2010, Vienna (Austria).

10 Wallbaum, H. and N. Kummer (2006): 'Entwicklung einer Hot-Spot-Analyse zur Identifizierung der Ressourcenintensitäten in Produktketten und ihre exemplarische Anwendung', Wuppertal Institut für Klima, Umwelt und Energie and triple innova. Available at: www.ressourcenproduktivitaet.de/1/index.php?main=8&call=Projektergebnisse.

Situation 1: Value chains causing negative environmental impacts (including GHG emissions)
The HSA follows the following steps (source: GIZ, 'Greening value chains'):

1. Defining the value chain stages (life-cycle phases) and environmental and resource categories: The first step builds on value chain mapping. A basic distinction is made between 'raw material procurement (agriculture), processing, use (incl. retail), and waste treatment'. It is important to note that consumption and waste disposal are also included using the 'cradle to cradle' principle. The basic categories are material, energy and water, which can be classified in various ways. They are further complemented and differentiated in all variants of the methodology.

Important note: for each sector the value chain stages and environmental and resource categories need to be defined.

2. Specifying the relevance of each resource category at every stage of the value chain:
Analysts compare the different resource categories and classify the resource intensities according to the following scale: 'not relevant' (0), 'low' (1), 'medium' (2) and 'high' (3). The aim is to judge the consumption of and impact on the resource categories (material, energy and/or water), including GHG emissions and/or environmental degradation. The assessment does not take into account the potential for improvement; it merely states the significance of resource utilization, indicating risk and potential efficiency problems.

3. Specifying the relative importance of the value chain stages: The stages of the value chain are classified according to a similar scale of 0 to 3 according to their relative weight in the total resource consumption of the value chain. An indication is the distribution of energy and material input along the chain.

4. Multiplying the points assigned to resource categories by the points assigned to the stages
This process results in a value between 0 and 9. Conventionally, categories with a result between 6 and 9 are considered to be 'hot spots'.

The table below can be used to identify and rate the relative significance of hot spots along the value chain. The classification of the resource and environmental categories in the example applies the system used by the retailer REWE to identify sustainable products that are awarded the 'pro-planet' label. Subdividing the basic categories should follow pragmatic criteria and is subject to change. Table A1 is used to assess theimpacts of the value chain on the environment (Note: the categories should be further specified based on the characteristics of VCs under review).

Table A1: Assessment of impacts of the value chain on the environment

Sector:	VALUE CHAIN STAGES			
RESOURCE CATEGORIES :	**Raw material procurement**	**Industrial production / processing**	**Distribution, wholesale and retail trade**	**Consumption and waste disposal**
Material consumption (0-3)	(description and assessment (0-3)	(idem)	(idem)	(idem)
Energy (0-3)	(idem)			
GHG Emissions (0-3)	(idem)			
Water consumption (0-3)	(idem)			
Land (erosion, pollution) (0-3)	(idem)			
Air pollution (0-3)	(idem)			
Water pollution (0-3)	(idem)			
Waste (0-3)	(idem)			
Biodiversity (0-3)				
Impact of environmental degradation on the VC				

Source: Greening value chains, GIZ

Scale: 0: not relevant, 1: low , 2: medium , 3: high

Situation 2: Value chains affected by climate change and environmental degradation
In situation 2, a modified HSA method will be used to assess the technical and market risks of climate change and environmental degradation and the vulnerability of the value chain. The assessment of impacts *on* the value chain refers to the negative consequences of climate change as well as environmental degradation, and includes both current and future threats and hazards.

Some impacts are felt directly, e.g. the beaches and coral reefs around which the local tourism industry builds its business vanish, while other impacts are felt indirectly, e.g. as production components and/or inputs become scarce. The severity of the problem can be realized through increased costs and lower profitability, a shortage of raw material supply, untenable livelihoods of smallholders or workers, and subsequent migration. Such issues can lead to a loss of competitiveness and /or long-term sustainability if no proper action is taken to address it.

Table A2 serves to assess the impacts of the environment *on* the value chain. The categories should be further specified based on the characteristics of the value chains under review.

Table A2: Assessment of the environment on the value chain

Sector:				
RESOURCE CATEGORIES :	**Raw material procurement**	**Industrial production / processing**	**Distribution, wholesale and retail trade**	**Consumption and waste disposal**
Reduced water availability	description and assessment (0-3)	(idem)	(idem)	(idem)
Rising air temperature	(idem)			
Extreme weather events	(idem)			
Biodiversity depletion	(idem)			
Destabilisation of Ecosystems	(idem)			
....	(idem)			

Source: Greening value chains, GIZ

An important factor to take into account is a value chain's sensitivity to the negative impacts of climate change, which concerns the time horizon and volume of fixed investment. Investment risks are higher in cases of longer-term projects, such as those concerning tree plantations, forestry or infrastructure. Risk also depends on whether key resources in the respective sector are replenishable—e.g. tourist destination beaches do not suffer from erosion—and the guaranteed availability of raw materials—e.g. certain biodiversity products collected in the wild.

Situation 3: Value chain services and products that compensate for GHG emissions or contribute to the creation of a green economy
This situation refers to the private sector finding business opportunities in the challenges associated with climate change and environmental degradation. Examples are energy efficiency (GHG emission reduction may also reduce company costs, e.g. reduced use of fossil fuels), renewable energy (technology developers and providers, service providers) and new innovative products and services (development of clean technology, eco-tourism, organic agriculture, certification bodies).

Another opportunity is that large international buyers increasingly take responsibility for their supply chains and apply (social and) environmental standards.

Table A3 is used to collect and build up a list of examples and new opportunities for green products and services. The project staff or consultants can fill the table during their field work and interviews.

Table A3: List of (new) green opportunities for services and/or products

(unmet) Demand or problem	Related green product/service	What is the 'green gain' (compared to its non-green competitor)?	Who are the buyers of this service/ product (give examples)	Why is the product/service produced in this country or region? What is its relative competitiveness?

Source: author (FSAS)

Annex 4: Question guide

The table below forms the 'question guide'. It contains the guiding questions from the list of key (numbered) and additional (bulleted) criteria from Annex 1 and can be adjusted and used during desk research and field investigation.

Economic dimension – guiding questions
1. What are the prospects for market growth? **2.** Is there (seasonally) unmet market demand? Are traders/customers willing to buy more of the product/service? **3.** Is there scope for import substitution?
4. How many persons (male/female) are currently (self) employed in the value chain or sector? (estimation) **5.** Has (self) employment in the sector in the last 5 years increased, decreased or remained the same? What are drivers/ causes? **6.** Which are the growth prospects and opportunities for employment creation?
• What has been the added value in the (sub-) sector in last 5 years? (estimation) • Has the added value in the sector in last 5 years increased, decreased or remained the same? • Can new products/services be developed through processing, or product improvement for which a market exists?
7. What are the production costs per unit, relative to the benchmark? Can the product be supplied to the buyer/consumer at an attractive price? **8.** What are the other comparative (dis)advantages of the product/VC in national and export markets? E.g. product differentiation, product quality, standards/ labelling, image, proximity to markets, other. **9.** Which competing imported products are found in the markets, for what price, and at what quality? Can local products substitute imports? How? **10.** Are infrastructure, a qualified labour force, raw materials, and inputs sufficiently available at comparative prices and sufficient quality? **11.** Do enterprises in the sector have the management and technical capacity for upgrading and innovation?
• Prices of products/services • What is the level of net profits by (potential) SMEs in the sector?

Environmental dimension – guiding questions
1. Which environmental issues play a role in the VC and how? **2.** Which (natural) raw materials are used in the VC? **3.** Which type and at what level of energy is consumed? **4.** Does the VC impact on the land and its future production potential? How so? **5.** What impact does the VC have on water resources (consumption, pollution, quantity/quality)? **6.** Does the VC cause (low/high levels of) air pollution, GHG emissions, and waste? If so, which?
7. (How) does the VC impact on biodiversity? **8.** How vulnerable is the VC (or are specific sections of the VC) to climate change and degraded environment? **9.** What is the impact of extreme weather, rising temperatures, reduced rainfall (reliability)/water availability on the (performance) of the VC? (determines risks) **10.** To what extent is the VC able to cope with the negative impacts of climate change? (Risks for and sensitivity of the VC) **11.** Are the VC actors able to adapt themselves? (Their adaptive capacity determines the severity of the risk)
12. What is the potential in the VC for products and/or services which are conducive for a green economy? **13.** What is the potential in the VC for products and/or services that compensate for GHG emissions?

Social dimension – guiding questions

1. Do disadvantaged groups have a (potential) function in the VC? If so, which groups, and which function/role?
2. Is the number of disadvantaged groups active/ employed in the value chain relatively high? For which groups?
3. Do they have the necessary skills, and is greater inclusiveness feasible?
4. Do disadvantaged groups control assets, equipment, and sales income?
5. What are the barriers to entry for disadvantaged groups? What are the causes?

6. What are the health and safety risks for entrepreneurs and workers in the (different stages/functions of the) VC?
7. How prevalent is freedom of association and how is it regulated?
8. Is child and/or forced labour present in the VC? Is so, at what level and in which activities?

9. Are the rights to food, health, property (land) and water (access and use) of surrounding communities respected? How?
10. Is there a risk of the VC causing or being subject to conflict(s)/ tensions in society? If so, how and why?
11. Do individuals, workers or communities have access to grievance mechanisms in case of human rights violations?
12. Are there any other risks of human rights violations in the value chain?

- What are the prospects for generating new products/services that are affordable for the Base of the Pyramid (BoP)?
- Does the product serve the specific needs/ demand of poor communities

Institutional dimension – guiding questions

1. What cannot be solved by the market/private sector itself? Why is public investment needed? What difference will public investment make?

2. Do private sector, donors and/or governments invest in the VC, or have realistic plans to do so? How?

3. Are sector (promotion) policies and regulations in place and enforced?
4. Does the government provide tangible support or can this be expected? What and how?
5. Do producers have (easy) access to markets? Are there physical, regulatory or other obstacles to enter the market

6. Are chain actors open to exchange and cooperation? Why?
7. Which donors/support organisations are ready to collaborate? Why or why not?
8. What is the potential (win-win) for increased cooperation between value chain actors and supporters?
9. Are there conflicting donor/government intervention strategies which may affect the impact of the program? If so, which?

- What is the possibility of adoption of the innovation or improved practices by a large group of actors without the need to invest an equivalent amount of capital as was done in the pilot (test) phase?

10. Is the innovation tested and validated?
11. Is the organizational capacity of actors sufficient for the tasks ahead?
12. Are business development services and other support services for quality improvement of the various VC stages sufficiently available and affordable?
13. Are project finances available?

Annex 5: Sources of data for secondary literature review

OECD – Input-Output Tables	http://www.oecd.org/trade/input-outputtables.htm
ITC - National Export Strategies	http://www.intracen.org/policy/national-export-strategy/
CBI – Market Intelligence Tool The CBI Market Intelligence Portfolio provides up-to-date EU market insights for 23 sectors concerning the trends, competitive field, trade channel and requirements. It is a valuable source of intelligence for exporters to prepare and maintain their export marketing activities.	http://www.cbi.eu/market-information
National statistics; overview for all countries can be found at the statistical division of the UN.	http://unstats.un.org/unsd/methods/inter-natlinks/sd_natstat.htm
Agricultural market access database	http://www.amad.org http://www.ers.usda.gov/Browse/TradeInternationalMarkets/
West African agricultural markets	http://www.resimao.org/html
Conditions and barriers of international trade	Conditions and barriers in international trade: http://www.tradeknowledgenetwork.net
Competitive benchmarking	Tea and coffee in general: http://www.teaandcoffee.net/ Coffee specialty: www.scae.com Spices: http://www.astaspice.org/ A guide to industry-related websites: http://ec.europa.eu/enterprise/sectors_en.htm
Analysis of local (rural) markets for producer groups at the micro level	"Rapid market assessment" (RMA) or "rapid market survey" techniques generating first hand empirical information, e.g. www.ciat.cgiar.org/agroempresas/pdf/manual2_marketopportunity.pdf or Helvetas: 'Clients first! A rapid market appraisal (RMA) tool kit'. Theoretical background and experiences from various RMA events. See www.helvetas.ch
Human rights risks	'Human Rights risk Atlas' (Maplecroft, 2014) An ideal tool to assess, quantify and compare human rights risks and responsibilities in 197 countries, with scorecards for each country and maps of each theme. 'The Human Rights and business country Guide' (DIHR, 2014) Provides a systemic overview of human rights issues for particular attention.
Other useful sources:	
National or regional *chambers of commerce, trade and industry*, other multi-sector business membership organizations, and those specific to sectors under consideration	
Workers' unions and representative organizations	
Government ministries and departments (e.g. ministries of labour, trade, industries and agriculture) and local authorities in the target region, such as those responsible for business registration.	
Statistical units of central banks and ministries of finance, national census departments/bureaus/statistical institutes	
Public-Private Partnership/Dialogue forums which meet regularly to discuss issues related to private sector development and in which various market players and stakeholders from different sectors are represented	
Country-specific economic information from i*nternational organizations* such as WTO, World Bank, IMF, FAO, ITC and NGOs	
Key market actors in the sectors	
Donor-funded projects and programmes	

Source: Own compilation, based on ValueLinks manual (2008), table 1.6 and ILO Guide for DW (2009), p. 37.

Annex 6: Additional tools and documents

	Title and details	Section/ chapter:	Main features:	Specific theme:
Stakeholders' readiness for change and innovation:				
1	**ValueLinks Manual: The Methodology of Value Chain Promotion** GIZ, 2008 http://www.valuelinks.org/index.php/material/manual	Module 1 (of ValueLinks revised edition 2015)	• Targets pro-poor growth: the double objectives of economic growth and poverty alleviation • Offers an action-oriented approach for promoting economic development from a value chain perspective • Provides essential know-how on ways to increase employment levels and incomes of micro, small- and medium-sized enterprises and farmers • Clearly distinguishes between the upgrading undertaken by value chain actors and the role of external facilitators • Promotes close cooperation between the public sector and private companies (public-private partnerships)	Value Chain Selection – economic and social dimensions
2	**Cooperation Management for Practitioners - Managing Social change with Capacity WORKS** GIZ https://www.giz.de/expertise/html/4620.html	overall	This management model, developed by GIZ, is a manual for GIZ staff, partners and others involved in cooperation systems in social change processes. It centres around five so called 'success factors': strategy, cooperation, steering structure, processes, and learning and innovation. Although it doesn't specifically focus on value chain development or value chain selection, many practitioners consulted during the development of these guidelines (GIZ and ILO staff) mentioned tools from Capacity Work as being useful in the selection process. Examples of specific activities include how to facilitate a multi-stakeholder meeting, conduct a stakeholder analysis, and steer a project to reach its objectives.	Capacity Development for management of complex projects and programmes
3	**Value Chain Development for Decent Work: A Guide for development practitioners, government and private sector initiatives** ILO, 2009 http://www.ilo.org/empent/areas/value-chain-development-vcd/WCMS_115490/lang--en/index.htm	Chapter 1: Sector selection for decent work p 23 - 39	A guide for development practitioners, governments and private sector initiatives on Decent Work in value chain development. Chapter 1 focuses on sector selection and how to identify sectors that have the potential for promoting decent work through value chain development. The Value Chain Development for Decent Work guide uses many similar selection criteria as in these guidelines, but with a focus on decent work issues like income levels, working conditions, health risks, gender equity, and voice and legal recognition of workers. The main criteria for selection are relevance to the target group, decent work potential and intervention feasibility.	Value Chain Selection – economic and social dimensions
4	**Value Chain Diagnostics for Industrial Development: Building blocks for a holistic and rapid analytical tool** UNIDO, 2009 https://www.unido.org/fileadmin/user_media/Publications/Pub_free/Value_chain_diagnostics_for_industrial_development.pdf	Chapter 4.2: p 28 - 36	This working paper reviews value chain analysis in academic and development practice and identifies opportunities for developing a rapid but holistic value chain diagnostic tool at UNIDO (United Nations Industrial Development Organization). Chapter 4.2 contains several 'building blocks' for Value Chain Analysis, such as **1.** Identifying and prioritizing value chains **2.** Mapping actors and product flows in the value chain **3.** Analysing costs, margins and competitiveness **4.** Identifying marketing options and responses to market requirements and standards **5.** Analysing governance and linkages **6.** Analysing resource productivity and environmental performance **7.** Analysing options for development, innovation and upgrading **8.** Analysing actual and future income distribution, employment and livelihood impacts.	Value Chain Analysis - Economic, Environmental, Social and Institutional dimensions

5	**The Operational Guide for The Making Markets Work for the Poor (M4P) Approach (second edition)** The Springfield Centre, 2014 http://www.beamexchange.org/en/resource-detail/resource/167/	Section 1.4: Tools and sources of information (p.10-11)	Steps presented are the following: a) defining the poverty reduction objective, b) identifying the opportunity for pro-poor impact, c) assessing the feasibility of system-level change, and d) criteria for selecting market systems. • Short description of how to select market systems for a M4P programme that hold potential for reaching a specific pro poor impact • Assessment of a market system's potential to: (a) affect large numbers of poor people, (b) increase the poor's performance in markets that are growing or their access to basic services, and (c) stimulate system-level changes. • Criteria for selecting market systems are presented in three categories: relevance, opportunity and feasibility.	M4P, system approach; economic, social and institutional dimension
6	**Building Competitiveness in Africa's Agriculture: A Guide to Value Chain Concepts and Applications** World Bank, 2010 https://openknowledge.worldbank.org/bitstream/handle/10986/2401/524610PUB0AFR0101Official0Use00Only1.pdf?sequence=1	Tool 1 p. 29 - 32	This guide was designed to provide the user with actionable methods and tools based on value chain concepts that can help design interventions for increasing the productivity and performance of agriculture in Sub-Saharan Africa. Tool 1: 'Choosing Priority Sectors for Value Chain Interventions' contains several examples and case studies. This tool was used for Value Chain Selection in GIZ's Value Chain Development Program in Morocco.	Value Chain Selection – economic dimension
7	**Value Chain Analysis for Policy Making: Methodological Guidelines and country cases for a Quantitative Approach** FAO, 2013 http://www.fao.org/docs/up/easypol/935/value_chain_analysis_fao_vca_software_tool_methodological_guidelines_129en.pdf	overall	These guidelines provide users with key concepts and tools for carrying out analyses of policy impacts using a value chain approach.	Value Chain analysis – economic and institutional (policy) dimension.
8	**GE McKinsey matrix** Portfolio (quantitative) analysis http://www.strategicmanagementinsight.com/tools/ge-mckinsey-matrix.html		The portfolio analysis helps companies to analyse industry attractiveness through the competitive strengths of a business unit or product.	Economic dimension – screening process for prioritization/ selection
9	**Finance in Value Chain Analysis – A synthesis paper** USAID, 2008 http://www.ruralfinance.org/fileadmin/templates/rflc/documents/1241106625426_Finance_in_Value_Chain_Analysis.pdf	overall	The objective of this paper is to present a systematic approach to incorporating finance in value chain analysis (VCA). As the lifeblood in the value chain, finance is often one of the critical constraints to economic growth. Understanding the financial structures both within and between firms in the value chain is necessary for the development of upgrading strategies that effectively increase competitiveness. The paper synthesizes some of the more pertinent literature on the topic and adds to this some key insights gained from a recent set of case-studies completed under USAID's AMAP FSKG project.	Value Chain Analysis – economic dimension (finance)

10	**Gender in Value Chains – Toolkit** Agri-ProFocus http://genderinvaluechains.ning.com/page/toolkit Online toolkit, also available in printed version.	Tool 2.1: http://genderinvaluechains.ning.com/page/tool-2-1-gender-sensitive-selection-of-a-value-chain	This toolkit motivates and helps practitioners to integrate a gender perspective in agricultural value chain development. It provides practical tools for all stages of the value chain intervention. It provides an overview of material available on gender and value chains, produced by USAID, SNV, GIZ, ILO, CARE and other organizations. Tool 2.1 focusses specifically on gender-sensitive elements of value chain selection, to select a value chain that 'works' for women. It contains a useful example and template in excel.	Gender in Value Chain – value chain selection
11	**Making the strongest Links: A practical Guide to mainstreaming gender analysis in value chain development** ILO, 2009 http://www.ilo.org/empent/Publications/WCMS_106538/lang--en/index.htm	overall	This publication provides methods for incorporating gender concerns into the different stages of value chain analysis and strengthening the links essential for gender equality and promoting sustainable pro-poor growth and development strategies. Contains multiple analysis tools, methods and diagrams.	Value Chain Development – social dimension – gender analysis
12	**Life Cycle Assessment (LCA)** http://www.pe-international.com/topics/life-cycle-assessment-lca-methodology	overall	Life cycle assessment (LCA) is the most relevant quantitative tool for assessing the environmental costs of value chains. LCA adopts a holistic concept of the value chain, i.e. considering consumption habits as well as the disposal or recycling of the product. LCA does this by referring to the entire product cycle 'from cradle to cradle' or 'from cradle to grave'. LCA identifies, quantifies and aggregates the environmental cost of the entire value chain – i.e. the potential negative impacts of value chains. LCA is recognized as a valid tool and is regulated by the ISO 14040 standard. The methodology is quite demanding and time/cost, intensive. Therefore, the use of LCA depends on the size and income of the value chain. In many value chain development projects, engaging in costly environmental studies is hard to justify if the overall budget for value chain upgrading is limited.	Value chain analysis - environmental dimension
13	**Carbon foot print tools** http://www.carbontrust.com/resources/faqs/services/scope-3-indirect-carbon-emissions	overall, various tools	There are many carbon footprint calculation tools. One is developed by the Carbon Trust (UK). The Carbon Trust is an independent, expert partner of leading organisations around the world, helping them contribute to and benefit from a more sustainable future through carbon reduction, resource efficiency strategies and commercialising low carbon technologies. Establishing carbon foot print of an entire value chain requires in depth expertise and resources.	Value chain analysis - environmental dimension
14	**Enhancing the Quality of Industrial Policy (EQuIP) Toolbox** GIZ, UNIDO 2015 http://www.equip-project.org/toolbox/	Overall	The EQuIP project helps policymakers in developing countries formulate evidence-based strategies for inclusive and sustainable industrial development. The aim is to strengthen the ability of lower income countries to manage their own future and to enable them to improve their strategy-setting, policy formulation and their engagement with development partners. UNIDO and GIZ have joined forces to develop the EQuIP toolbox, an integrated methodological and capacity-building package for industrial diagnosis.	Industrial Policy

Other topics:				
15	**Guidelines for an Employment and Labour Market Analysis (ELMA) GIZ, 2014** English: http://star-www.giz.de/fetch/cc430gN00qQ001cXAW/giz2014-0196en-guidelines-elma.pdf French: http://star-www.giz.de/fetch/2w5Q5002XY50002g-vb/giz2015-0166fr-lignes-analyse-marche-travail.pdf http://star-www.giz.de/fetch/2w5Q5002XY50002g-vb/giz2015-0166fr-lignes-analyse-marche-travail.pdf	Overall	ELMA provides a methodological tool for a comprehensive analysis of the labour market and employment constraints and its respective underlying causes. The 5 stages of an ELMA are based on the integrated approach to employment promotion: • Stage A contains a description of recent trends in the labour market (such as changes in unemployment, underemployment and employment-to-population ratio), patterns of economic development in the past as well as the employment potential in the country • Steps B-D analyse in depth the underlying causes of under- and unemployment: the shortage of labour demand (Stage B), labour supply (Stage C) and inefficiencies in the matching process (Stage D) • Stage E summarizes the main challenges and consequences from the ELMA and gives recommendations of how to adapt policy reforms, ongoing Development Cooperation interventions and helps to prioritise new programmes The step-by-step structure of ELMA is flexible enough to deal with very different employment conditions in developing countries and the specific knowledge interest of the key stakeholders. The main method of inquiry is qualitative research on existing data and literature. Still, it is recommended to complement the argumentation with quantitative data and field interviews.	Labour Market Analysis, Employment constraints, participatory approach
16	**Enabling Rural Innovation in Africa: A Market Facilitator's Guide to Participatory Agroenterprise Development** CIAT, 2006 https://cgspace.cgiar.org/bitstream/handle/10568/54278/eri_guide_2.pdf?sequence=1	Section 4: Tools for working with a community. Section 9: Market Chain Analysis	The guide provides practical analysis and planning tools and instructions for facilitators working in participatory anro-enterprise development. It was used in value chain selection in an ILO project in Indonesia. The consultant modified certain tools and let the communities make a mapping themselves.	Participatory approaches in communities
17	**Porters 5 forces, Michael Porter** GIZ: http://www2.giz.de/wbf/lred/intervention/reflection-analysis-conceptual-five-forces.asp MindTools: http://www.mindtools.com/pages/article/newTMC_08.htm		The Porter's Five Forces tool can be used to understand power relations in business situations. It can be used in the planning's phase, but it can also be used to identify whether new products, services or businesses have the potential to be profitable. • Mindtools is included to analyse the five forces. • GIZ includes a Workshop Format This tool was used in an ILO value chain development project in Egypt during the analysis phase and helped the project to better understand the different nodes of the value chain.	Power relations
18	**Practitioner's Guide: Do No Harm** MethodFinder, 2001 www.methodfinder.net/download57.html?file=files/documents/methods_examples/0057%20-%20Do%20No%20Harm%20%28Local%20Capacities%20for%20Peace%29%20-%20Method.pdf	overall	The Do No Harm analytical framework provides an analytical and practical framework to explore how developmental interventions and conflict interact. It contains four components: **1.** Identify connectors and dividers and the most important categories of information, with which to assess the interaction of aid with conflict **2.** Organize that information **3.** Highlight relationships between the categories, allowing for the anticipation of likely outcomes of programming decisions **4.** Generate possible options and test them This approach was used in a GIZ value chain development program in Myanmar in the context of conflict analysis.	Development interventions in conflict situations

19	**The Corporate Responsibility to Respect Human Rights: An interpretive guide** UN, 2012 http://www.ohchr.org/Documents/Issues/Business/RtRInterpretativeGuide.pdf	overall	The interpretive guide was designed to support the process of effective implementation of the UNGPs. It focuses on the Guiding Principles that address corporate responsibility to respect human rights.	Human rights: the UNGP
20	**Conducting an Effective Human Rights Impact Assessment** BSR, 2013 http://www.bsr.org/reports/BSR_Human_Rights_Impact_Assessments.pdf	overall	The report includes eight guidelines for conducting effective HRIAs, practical examples, and step-by-step guidance. The HRIA approach is designed to be tailored to a company's unique risk profile and operating context. It is not intended as an off-the-shelf tool or checklist. Useful when doing a Human Rights Impact Assessment that aligns with the Guiding Principles.	Human Rights Impact Assessment
21	**Engaging Business on Human Rights: Issues for Responsible and Inclusive Value Chains** CSR Asia, http://www.csr-asia.com/report/Human%20Rights%20Paper%20Final%20v8.pdf	overall	Although it doesn't focus on value chain selection, it can be helpful for businesses that want to pay attention to human rights risks in global value chains, specifically on modern day slavery.	Human rights
22	**Conflict-Sensitive Approaches to Value Chain Development** USAID, 2008. http://www.international-alert.org/sites/default/files/publications/C_s_approaches_to_value_chain_devel.pdf	Chapter I: Elements of conflict sensitivity. Including: conflict analysis (p. 2 – 5). Chapter II: Value Chain Selection: Initial screening for conflict risk (p. 6 – 8).	This paper provides options for integrating conflict-sensitive approaches (CSA) into value chain analysis and interventions in conflict situations. Chapter I introduces different actors, causes and dynamics and provides good practices in conflict analysis. Chapter II contains criteria that can be used when selecting a value chain in conflict sensitive situations. • Outlines the link between the intervention and the conflict that should raise red flags and how to identify problems that need more attention. • Contains screening questions that can inform conflict-related value chain selection criteria and provides suggestions for interventions. Although focused on the initial stage of the project cycle, the paper also presents preliminary points for practitioners to keep in mind in implementation.	Value Chain Development – Conflict sensitivity
23	**From Red to Green Flags – The corporate responsibility to respect human rights in high-risk countries** IHRB, 2011 http://www.ihrb.org/news/2011/from_red_to_green_flags.html		Companies operating in weak governance zones or dysfunctional states face multiple human rights risks, and their actions may pose risks to others. This report explores the specific human rights dilemmas and challenges facing companies operating in such contexts and provides detailed guidance for business leaders in meeting their human rights responsibilities.	Human rights dilemmas and challenges facing companies operating in fragile states.

24	**Who's got the Power? Tackling Imbalances in Agricultural Supply Chains** Fair Trade Movement, 2014 http://www.fairtrade-advocacy.org/images/Whos_got_the_power-full_report.pdf	Research paper; can be useful for background. Not specific to value chain selection	Study on how the integration and concentration of power in the supply chain of agricultural products is having an effect along the value chain, the environment and the choices available to consumers. The study identifies patterns for different actors and processes along the supply chain, such as for input providers to producers, processors and traders.	Human Rights and Power imbalances

Source: developed by author, based on suggestions by ILO, GIZ and other practitioners.

Acronyms

BMZ
German Federal Ministry for Economic Cooperation and Development

BoP
Base of the Pyramid

DCED
Donor Committee for Enterprise Development

FSAS
Fair & Sustainable Advisory Services

GIZ
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

HSA
Hot Spot Analysis

ILO
International Labour Organization

M4P
Making markets work for the poor

MSME
Micro, Small and Medium Enterprises

OHS
Occupational Health and Safety

PSD
Private Sector Development

UNGP
United Nations Guiding Principles on Business and Human Rights

VC
Value Chain

VCD
Value Chain Development

Glossary

Chain upgrading:
This consists of improving business linkages, associations and partnerships, strengthening service supply and demand, introducing standards and improving policies and the business environment of the chain. Another aspect is the expansion of productive capacity which enhances the volume sold (ValueLinks, 2008).

Competitiveness:
The ability of a sector, firm or a nation to offer products and services that meet the quality standards of the local and world markets at prices that are competitive and provide adequate returns on the resources employed to produce them (adapted from BusinessDictionary.com).

Criteria:
When analysing the different dimensions in the value chain selection process, there are different criteria for each dimension that can be considered for comparison, prioritisation and eventually selection. These guidelines introduce a list of the most important and some optional criteria for each dimension (author).

Dimension:
The four dimensions described in these guidelines that are essential to consider when working on value chain development Economic, Environmental, Social and Institutional (author).

Economic dimension of value chains:
This dimension refers to the production of a good or service by transforming inputs into higher value products or services. It contains aspects such as growth potential, domestic and international market demand, profit, income and job creation and (monetary) value addition (author).

Environmental dimension of value chains:
This dimension refers to the way the value chain affects (positively or negatively) the environment and vice versa, including climate change. A third aspect of this dimension is the opportunity to generate new products or services that are more environmentally friendly and contribute to a *green economy* (author).

Gender equality:
Equal rights for men and women. The ILO recognizes this as a basic human right, but it is also intrinsic to the global aim of decent work for all women and men (ILO, 2015).

HSA:
Hot Spot Analysis. This is a mainly qualitative tool that aims to identify the most significant positive and negative impacts of the value chain on the environment and vice versa. It is used in preparation for forming strategies and designing interventions that improve resource efficiency, reduce negative environmental impacts, create resilience and tap into green business opportunities (Bienge et al, 2012).

Institutional dimension of value chains:
This dimension refers to the 'institutional environment' of a value chain and the extent that it 'enables' the value chain to develop. It constitutes the institutions, organizations and policies that typically form the foundation for successful value chain interventions (author).

M4P:
Acronym for 'making markets work for the poor', also known as a market systems approach (M4P guide, 2014).

Market:
A set of arrangements by which buyers and sellers exchange goods or services; the interaction of demand and supply (M4P guide, 2014)

Market system:
The set of players (both public and private), supporting functions (such as information, infrastructure and related (e.g. advisory, certification) services) and rules (the business environment, informal norms, regulatory framework) that shape how a core market or value chain functions (author, based on M4P).

Pro-poor:
A development outcome (e.g. improved growth or access to basic service) that benefits the poor more than the less poor (adapted from M4P guide, 2014)

Results chain:
A model showing the chain of causality through which a programme's activities lead to targeted results at the impact level. It describes all intermediate changes needed for an intervention to lead to the highest level result or change. Results chains are tailored to specific interventions and are consequently more detailed than a Strategic or Logical Framework (M4P guide, 2014).

Scalability:
The possibility of amplifying the impact of an intervention through the uptake of an innovation or improved practice by a large group of actors without the need to invest an equivalent amount of capital, as was done in the pilot (test) phase (author).

Sector/Subsector:
Sectors represent areas in an economy in which businesses are linked by the production of related products or services, such as manufacturing, tourism or agricultural, and operate within a market system with certain rules and regulations. Sectors can be further broken down into (sub-) sectors by differentiating the specific product or service markets, e.g. "horticulture", "non-timber forest products" or "ecotourism". The specific actors and steps that bring a product from the producer to the final consumer is called a **value chain**. (Valuelinks, 2008).

Note: In these guidelines we use the terms value chain and value chain selection, however it should be noted that the guide and tools can also be used for the selection of a subsector or sector.

Social dimension of value chains:
This dimension refers to the way the value chain affects people, e.g. producers, employees, workers, consumers and surrounding communities. It also refers to the level at which the value chain contributes to the well-being of a country, communities or individuals. These guidelines focus on inclusiveness of disadvantaged groups, working conditions and the impact of the value chain on social issues like health, human rights and conflicts (author).

Steps
This document describes eight steps in value chain selection, from the starting point up until the final choice. The steps are meant to function as clear guidance in the selection process (author).

Supply chain:
The value chain concept differs from that of ***supply chains***, which consider the process of bringing products and services to markets from the perspective of a main buyer or lead firm. The focus is often on the logistics of organizing a supply system (ILO, 2015).

Total added value in a value chain:
The total value (volume* price) generated by the value chain operators, minus the goods/services bought from outside suppliers (ValueLinks, 2008).

Triangulation:
Using multiple methods to develop a more accurate view of how and how much change has occurred. Triangulation is a means of verification that removes the biases of individual tools and information sources and helps to validate results generated by one measurement method (author, adapted from M4P guide, 2014).

Value-added (per unit of product):
The difference between the price obtained by a VC operator and the price paid for inputs delivered by operators of the preceding stage of the value chain, or in short: 'The worth that is added to a good or service at each stage of its production or distribution' (McCormick/Schmitz. In: ValueLinks, 2008).

Value chain (VC):
"Describes the full range of activities that are required to bring a product or service from conception, through the intermediary phases of production and delivery to final consumers, and final disposal after use" (Kaplinski and Morris, in ILO, 2015). It is called a value chain, because value is added at each stage of the chain. This includes activities such as design, production, marketing, distribution and support services up to the final consumer. Furthermore, it can be described as a 'set of enterprises (operators) that perform these functions, i.e. producers, processors, traders and distributors of a particular product. Enterprises are linked by a series of business transactions in which the product is passed on from primary producers to end consumers (Definition adapted from ValueLinks, 2008 and ILO, 2015).

Note: In these guidelines we use the terms value chain and value chain selection; however, it should be noted that the guidelines and tools can also be used for the selection of a subsector or sector.

Value chain development:
Value chain development can be defined as *'the collaborative effort by actors (private and public) to achieve mutually beneficial business relationships by increasing value creation, profits, efficiency and competitiveness of the value chain'* (World Bank, 2010[1]). In the context of development interventions, value chain development is a market development approach which aims to achieve pro-poor growth. This typically involves a development agency carrying out a value chain analysis to identify opportunities and constraints, then playing the role of market facilitator to intervene in a way that generates growth for actors in the value chain, including the poor or other target groups.

Value chain promotion:
Promoting a value chain means supporting its development by externally *facilitating a value chain upgrading* strategy (ValueLinks, 2008).

[1] World Bank, 2010: Building Competitiveness in Africa's Agriculture. A guide to value chain concepts and applications.

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