Chapter 2

Project setup and initial research & evaluation
Summary sheet: project setup and initial research

**Timeline and proposed actions:**

<table>
<thead>
<tr>
<th>Sector selection</th>
<th>Project setup</th>
<th>Strategic framework</th>
</tr>
</thead>
</table>
| • Decent Work selection criteria  
  • Selecting a sector for VCD | • Team building  
  • Action plan  
  • Initial research & networking | • Setting the targets for VCD  
  • Defining the way to get there |
| Time: 2 - 4 weeks | Time: 2 - 3 weeks | Time: 1 day |

**Summary:**

This chapter will help you to lay the foundations of a value chain initiative. Each of the steps has a clear outcome:

1. **Project setup:** What do you need to do to get started? This section will discuss the initial steps of a value chain initiative, such as setting up a team, putting together an action plan and starting with initial research and networking amongst market players.

2. Setting a **strategic framework** is important for defining the objectives of your value chain initiative and outlining the how you want to achieve these objectives. This will also provide a good framework for assessing what is feasible and what is not.

**Outcomes:**

- A strategic framework outlining the initiative's approach to achieving its final objectives (i.e. job and income creation and Decent Work)
- A project team consisting of a team leader, a core team and a support team
- Initial research assessing the relevance of the sector for the target group, its potential for job and income creation (or Decent Work), and the feasibility of intervention through the initiative
- An initial value chain map outlining the flow of goods and services from raw material / input supply to the final consumer (explanation in detail in *Chapter 3*)
2.1 Setup of a value chain initiative

How do I start?
What do I actually have to do to start a value chain initiative? What needs to be done in the project setup phase? The following section will take you through several initial activities that are needed to get the initiative off the ground.

Purposes of project setup
Project setup is in the first place about getting the organization and logistics for a value chain initiative positioned, but also already sets a basis for understanding the sector. In particular, project setup serves the following purposes:

1. Putting together a team that consists of a team leader, members of your organization and representatives from the target sector.
2. Setting up a strategic framework that outlines the objectives of the initiatives and how it plans to achieve them.
3. Beginning an initial value chain map which helps to identify main market players in the sector as well as their position in the value chain (stakeholder directory).
4. Getting a first broad picture of what is actually happening in the sector; understanding the current situation and getting a first idea of what the main issues you might face could be.
5. Starting to network with market players and developing linkages that provide the basis for the value chain research.

Time frame and landmarks
The project setup should not require more than four weeks. In fact the smaller the target region is, the faster the setup should be done. However, keep in mind to leave enough time for an initial assessment of the sector and networking.

Box 2.1: Setup phase – landmarks and time frame
2.1.1 Team building and organization

Selecting a good team is of paramount importance for success

The success of a value chain initiative rises and falls with the team, its capacity, capabilities and most importantly: its commitment. Putting together a good team is therefore the first and most important task in the setup phase. It creates the infrastructure on which the initiative is built up.

To achieve good results, the team should consist of a mix of people from your own organization (whether you are a company, a government institution or a development organization), from partner organizations and representatives from different levels of the value chain. This guide therefore suggests the following team structure, which builds on positive experiences in Sri Lanka and Madagascar:

**Box 2.2: Team building for a VCD initiative**

- **Team leader**
  1. A *team leader* who is knowledgeable and has experience in Value Chain Development (as described in this guide) and Local Economic Development and possesses strong leadership characteristics.

- **Core team**
  2. A *core team* of 2-5 persons who have been trained in the VCD approach and who can conduct interviews and workshops independently, collect relevant data and find solutions. These team members would ideally be from private/public partner organizations - thus creating synergy effects from the outset. Local government authorities usually have departments dealing with SME development, for example, and these would be ideal partners, as would local BDS organizations. It is of interest for government and development organizations to know that these persons can also serve as a resource pool for other value chain initiatives.

- **Support team**
  3. **4-6 different market players from target sector**
  4. **Team leader**
  5. **3-8 members (depending on scale)**
  6. **All trained in VCD approach**
  7. **Function: project implementation**
  8. **Regular meetings**
  9. **Function: networking & advice**
  10. **Transformation into VC steering group**
Support team

3. A support team of another 3-5 persons from within the target sector and from different value chain levels (e.g. one agricultural inputs supplier, one farmers’ representative, one dairy processor and a dairy product retailer). These persons do not need to be trained in the VCD approach. Their asset to the project lies in intimate knowledge of the target sector itself and their contacts with key stakeholders. Nor would they attend all team meetings and activities; they would only be invited to key team meetings and events where they can provide advice. Keep in mind that these people have businesses and daily work to attend to, and therefore do not waste their time!

Important: team consistency and continuity

Note that it is important that the persons in your support and core team participate actively throughout the entire VCD initiative (i.e. they are the same persons from project setup to at least results presentation (a total of about 8 to 12 weeks)). Team consistency is essential in order to ensure that information does not get lost on the way through not-participating team members and to secure good results based on quality research and analysis!

Organization: working with/through a local partner organization

Building the capacities of local organizations and institutions (e.g. government or BDS organizations) is one of the objectives of most development organizations, and organizing a value chain initiative with/through a local partner organization is a very effective way of achieving this target. The same applies to multinational companies seeking to upgrade their supply/retail chains in Emerging Markets: they often rely on local business partners and service providers such as consultancy firms or business membership organizations.

Multinational companies, development organizations and government ministries/departments can therefore assign a local partner organization to organize a value chain initiative, whereas the company/ministry/ development organization can stay in the background, only providing technical guidance for the local partner organization on the basis of this value chain guide. Role allocation between organization and logistical implementation on the one hand and technical VCD capacity on the other would therefore be clearly separated (perhaps with a view to transferring this capacity throughout the VCD initiative); the communication basis and terms of references between the two partners would be defined by this value chain guide.
In Sri Lanka the ILO Enterprise for Pro-Poor Growth (short: Enter-Growth) project has conducted several value chain initiatives at local as well as provincial/regional level. In order to carry out these initiatives, the project had to rely on local partner organizations and individual facilitators:

1. **Partner organizations**: the project initiated four larger-scale value chain projects on the dairy, coconut coir, floriculture and packaging industries. For each of these sectors it contracted a local partner organization – either from a government institution (in Sri Lanka many of the BDS organizations are in government hands) or a private sector organization:

   - **Dairy**: Irritech (Pvt.) Ltd. – a small private business services company that provides business solutions and management training as well as agricultural irrigation systems for a wide range of enterprises, ranging from micro and small businesses to medium-sized enterprises. The owner is a very entrepreneurial person and has invested into a cow breeding farm and dairy processing unit after completion of the value chain initiative, using private funds.

   - **Coconut coir**: Industrial Development Board of Sri Lanka – this is the industrial extension service arm of the government, with offices in every district of Sri Lanka. They focus on developing small industries in rural areas, providing enterprises with a broad portfolio of services ranging from management and technical training, association building, promotion of specific industries and sectors, technical field advice, etc.

   - **Packaging**: Dambadeniya Development Foundation – a private sector sponsored local foundation that focuses on local economic development particularly in the Dambadeniya division. The VCD initiative was in fact organized by a private arm of the DDF, the Social Project Development Centre, which is a small for-profit organization which provides services for local entrepreneurs and the local community.

   - **Floriculture**: Since the floriculture sector is export-oriented, Enter-Growth contacted the Sri Lankan Export Development Board to that purpose – a government service organization that provides various export and market information related services.

Some of these organizations have continued working on the sectors to which they have been assigned – beyond the contract period. Most of them have now budgeted VCD initiatives in their annual plans, which means they will carry on without the support of Enter-Growth. Only one of the organizations had been trained previously in the VCD approach – others subsequently attended training sessions. This was not an obstacle, however, since Enter-Growth had its own district managers and a national value chain specialist who could provide technical guidance.

**The lesson to be learned from Enter-Growth’s experience is that you need to understand the partner organizations’ incentives to become part of a VCD initiative for a particular sector and its motivation to take on the organizational component.**
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2. VCD facilitators: The Enter-Growth initiative only has limited staff available, and therefore had to rely on local “facilitators” who could carry out interviews and workshops, collect relevant information and data, as well as contribute to analysing findings and formulate upgrading solutions for the selected sectors.

The project therefore selected several stakeholders from different partner organizations in each of its four districts, and trained them in the value chain approach. These training sessions included the conceptual background to the VCD approach as well as practical implications (i.e. carrying out interviews and workshops, presentation techniques, and workshop methodologies, etc.). This way, Enter-Growth created a pool of facilitators from which it could draw for its value chain initiatives – i.e. these persons were hired to become part of the core team.

Facilitators who have participated in training sessions and subsequently carried out VCD initiatives with Enter-Growth have greatly benefited from this learning experience. Most organizations that have made their staff available for this purpose are now starting to carry out VCD initiatives on their own.

For further information see intervention reports and case studies on www.entergrowth.com (under 'project library').

2.1.2 Team workshops and events during the setup phase

The three landmark events in project setup stage

According to the figure in Box 2.1 above, there are three landmark events suggested for the project setup stage:

1. A first team workshop in which a strategic framework (objectives) will be set up and responsibilities and tasks for the project setup stage will be discussed and allocated.

2. Another team workshop on initial value chain mapping (identifying stakeholders and their positions in value chains) and the formulation of expectations based on the initial research conducted so far.

3. A start-up event for a first general and participatory assessment of the current situation of the sector to which all relevant market players are invited.

... and of course regular core team meetings

Apart from these three landmarks, the core team should of course meet regularly and frequently to discuss progress and tasks. The support team should only be invited to the landmark events above (perhaps even only to the last two events) in order to avoid over-burdening them in terms of time commitment.
Event 1:

Strategic framework and action plan

Having put together a team, it is then important to discuss the general approach of the value chain initiative, the objectives and the ways and means of achieving them as well as actual implementation. Organize a first team workshop for that purpose – half a day will be sufficient, unless the team members are not yet familiar with the approach. Although it is not necessary for the support team to participate at this workshop, it would certainly promote transparency and local ownership.

Introduction

1. Start by briefly defining a) what value chains are, b) what value chain development means, c) how value chain development is connected to market system development (see Introduction and Chapters 6, 7 and 8). This serves the alignment of the team’s understanding of the approach used.

Strategic framework

2. Define the strategic framework of the value chain initiative as described in the next Section 1.3., i.e. what are we trying to achieve?

Action Plan

3. Draw up an action plan that indicates the steps of the value chain initiative, tasks, responsibilities and the overall targeted time frame. Discuss within your team what has to be done within the next few days and weeks of the setup stage, and who will be responsible for which tasks. The following template may serve as an example (you can also attach a Gant-chart to better illustrate the progress in time). While making an action plan, bear in mind that the longer a value chain initiative drags on, the less dynamics it will develop amongst market players – i.e. they will lose interest if it takes too long and does not show results.
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Box 2.4: Action plan for the overall VCD initiative

<table>
<thead>
<tr>
<th>Value chain stage</th>
<th>Landmark events</th>
<th>Tasks</th>
<th>Responsibility</th>
<th>Date/Time frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project setup &amp; Initial research</td>
<td>1. Mapping &amp; expectations team workshop</td>
<td>• Initial research</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td></td>
<td>2. Start-up event</td>
<td>• Stakeholder list</td>
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<tr>
<td></td>
<td></td>
<td>• Etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Hotel &amp; Catering</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Invitations</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value chain research</td>
<td>1. Team planning workshop</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Developing questionnaires &amp; FGD guidelines</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Interviews and FGDs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value chain analysis &amp; presentation</td>
<td>1. Team evaluation workshop</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Documentation of findings and proposals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Presentation event</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementation (monitoring &amp; evaluation)</td>
<td>1. First steering group meeting</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Etc.</td>
<td></td>
<td></td>
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</tbody>
</table>
**Event 2:**

**Initial VC mapping and expectations**

Having conducted initial research on the target sector (see next Sections 1., 2. and 3 and also the figure in Box 2.1 above), you will probably already have a rough idea of

- **The main market players in the sector:** these could be government, private sector, business membership organizations, unions, business service providers, NGOs and development organizations, etc.

- **Their position in the value chain and market system:** are they part of business transactions in the chain, or do they come from supporting organizations and institutions?

- And, in general, the kind of **opportunities and constraints** that you would expect in the sector (or target group) and the kind of **outcomes** you anticipate.

**A half-day workshop for core and support teams**

Organize a half-day workshop for your core and support teams, and discuss the following items at that team workshop:

**Initial VC mapping**

1. **Initial value chain mapping:** this will help to create an inventory of market players and understand their positions in the value chain and market system, as well as their relationship to one another. See Chapter 3 on how to map value chains.

**Expectations**

2. **Expectations regarding opportunities, constraints and outcomes:** this exercise serves the purpose of bringing together the findings of the initial research as well as aligning the team’s understanding of expected outcomes. It ensures that the team speaks ‘one language’ when approaching market players later on.

   There are different ways in which this can be done. A simple **SWOT analysis** on a flipchart to assess the target group’s current situation is one way. Another is to use **Porter’s Five Forces** as a guideline: by using the **card exercise** – see Box 2.5 below, you can, for example, ask your team:

   - What are the expected constraints for the demand and supply side as part of the market system framework?
   - What kind of outcomes/proposals do we expect to come out of the value chain analysis?

**Preparation for start-up event**

3. **Preparation for the start-up event:** the next landmark event in the setup stage is a large one. All relevant market players are invited to the start-up event, which therefore requires more preparation (e.g. venue, catering, invitations, special guests, etc.). Discuss with your team what needs to be done, and the responsibilities of each member.
Box 2.5: Card exercises workshop tool

Also known as ZOPP cards, this workshop tool guarantees the active involvement of all participants and helps to focus on key messages (rather than having detailed and time-consuming statements by individual participants).

**Required equipment and materials**

- 1-2 large pin boards and lots of pins
- plenty of cards in different colours (size about 12 x 22 cm)
- brown wall paper (used as background on to which to pin the cards)
- masking tape
- markers for every participant

**Procedure**

For a card exercise, every participant receives several cards and a marker. They are then asked to write down their answers to/thoughts on a particular question (e.g. what are the strengths and weaknesses of dairy farmers in Polonnaruwa?). The answer has to be very concise and written in large letters on the card. Several cards may be used for several answers/thoughts (e.g. one strength per green card and one weakness per red card).

The moderator then collects the filled cards, reads them out one by one and pins them to the board (where a title/question has already been pinned).

“Clustering”

Many filled cards will repeat themselves once they have been pinned to the board. The moderator (or alternatively two participants) then summarizes the cards into categories by grouping cards with similar messages.
Event 3:
Start-up event
The start-up workshop sets an official starting point, to which all relevant market players from the target sector and media are invited. Start-up workshops in Sri Lanka for example have included between 30 and 70 participants from private sector businesses, government, relevant business service organizations, etc. The value chain mapping in the previous step will help to identify who should be invited to this event.

Main purpose: first participatory assessment
The main purpose of bringing all the relevant market players together is to make an initial overall assessment of the target sector by getting answers from market players direct. The initial research up to this stage has been based primarily on secondary research and only casual discussions with market players. At the start-up event, market players are now actually invited to provide their input. Later on, during the value chain research (see Chapter 3) you will have separate interviews and focus group discussions with individual market players, to better understand their position within the value chain and market system, and their relationship to other market players. For the time being, however, you just want to get an initial picture.

Apart from this, the start-up event also serves several other purposes:

Networking amongst market players
- Enhancing networking: it has often been found that market players have never met before such an event. Large businesses rarely attend the same events as small businesses, small businesses rarely get the chance to meet the relevant government organizations, and so on. By bringing them together, you are already contributing to value chain development by promoting better communication between market players.

Publicity
- Publicity: make the public and especially market players from the target sector aware that “something is happening”. Publicity will also ensure support by important decision makers.

Refining the initial VC map
- Refining of the value chain map: the participants can be shown the initial value chain map, and their feedback can be used to correct and further refine it. This helps to further identify key organizations in the market system.
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Box 2.6: Checklist – Time frame, whom to invite, programme, organization & logistics

<table>
<thead>
<tr>
<th>Tasks</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Time frame</strong></td>
<td></td>
</tr>
<tr>
<td>2-3 hours max. (Remember you don’t want to waste participants’ time! They are running businesses and have daily work to attend to.)</td>
<td>Done</td>
</tr>
<tr>
<td><strong>Participants</strong></td>
<td></td>
</tr>
<tr>
<td>Depending on the scale of the value chain initiative (i.e. also the size of the target area), between 30 and 70 participants from</td>
<td>Done</td>
</tr>
<tr>
<td>- Private sector businesses involved in transactions in the value chain – ranging from large companies (buyers/suppliers) to small enterprises,</td>
<td></td>
</tr>
<tr>
<td>- Relevant government departments, extension services, R&amp;D facilities, training institutions, local authorities,</td>
<td></td>
</tr>
<tr>
<td>- Service providers such as BDS organizations, consultants, banks and insurances, training and skills,</td>
<td></td>
</tr>
<tr>
<td>- Public sector organizations such as relevant NGOs and development foundations,</td>
<td></td>
</tr>
<tr>
<td>- The media</td>
<td></td>
</tr>
<tr>
<td><strong>Organization &amp; logistics</strong></td>
<td></td>
</tr>
<tr>
<td>The start-up event requires preparation in order to create a professional impression with market players:</td>
<td>Done</td>
</tr>
<tr>
<td>- Invitations: personal invitation combined with a casual chat and the handing over of a letter has always proved to be most effective. Start planning for this in time. Getting the invitation signed by a prominent personality is often very helpful.</td>
<td></td>
</tr>
<tr>
<td>- Venue: hotel conference hall or any other hall with enough space</td>
<td></td>
</tr>
<tr>
<td>- Catering: market players often come from quite some distance, so it might be good to provide lunch or snacks. This will also enhance networking.</td>
<td></td>
</tr>
<tr>
<td>- Equipment: cards in different colours (about 300 per colour), brown wall paper, markers, pins, boards, masking tape, flipchart and board, projector and laptop.</td>
<td></td>
</tr>
</tbody>
</table>
Proposed structure for the start-up event

The following structure has been used for start-up workshops in Sri Lanka and Madagascar, and may serve you as an example:

Introduction

1. Introduction I: Welcome address, introduction of participants, and short presentation of the value chain approach and the objectives of the initiative, plus a short address of support by a prominent local personality.

2. Introduction II: A brief presentation on the findings of your initial research. For example some facts and figures that show the target sectors’ performance over the past few years (especially market figures are always interesting); or the size and relevance of the sector for your target group; or a profile of your company/private sector initiative.

Validation of initial value chain map

3. Validation of the initial value chain map: a quick presentation on the value chain map that has been constructed so far; pass around a handout with the map and ask the participants to make corrections or additions (e.g. add names of market players, or new market channels, value chain levels that have been omitted, etc.). Collect these handouts to later refine your value chain map.

Box 2.7: Corrected initial VC map
Assessment of opportunities and constraints

4. **Assessing opportunities and constraints:** This is the main objective of the start-up workshop and can best be done through a card exercise - i.e. ask the participants to write down answers on cards, collect these and pin them to a board, and perhaps ask some clarifying questions and hold a short discussion on them (see Box 2.5). For value chain initiatives targeting in particular small enterprise development in selected sectors, the format introduced in Annex 1 of this guide has proved to be most useful.

Solutions

5. **Solutions:** What kind of solutions do the participants propose for addressing the opportunities and constraints identified? The start-up workshop already helps to get an idea of the general trend of possible solutions. Participants are thus also given the opportunity to shape the outcome of the initiative from the very beginning.

Closing

6. **Closing:** Information about the next steps (interviews and focus group discussion for in-depth value chain analysis; forming of a steering group; scheduled presentation of results), closing address and lunch/snacks that provide the opportunity for networking amongst participants.

The outcome gives an idea of where in the market system to look for constraints

Note that the answers you get from participants in the start-up event are still very broad, since you have market players from all value chain levels and supporting organizations participating. **But if you look at our market system model (see Chapter 8), the answers might already give you an idea of which supporting functions or rules might be an obstacle to the development of the sector.** This will also then give you a direction for your value chain research and analysis.
2.2 Initial research and networking with market players

Purpose of initial research depends on your objectives and background

Depending on your objectives and background - i.e. whether you are a private value chain initiative aiming to improve your marketing/supply chain or a government or development organization aiming at better integration of poor and disadvantaged into value chains and markets - the purposes of the initial phase of a value chain initiative may differ:

Understanding the poor and their context

1. Understanding the poor and disadvantaged and their context. Before engaging in the wider market system the current position of the target group must first be understood. What are the symptoms of disadvantage? How does insufficient market integration affect the livelihoods of the poor? How do the poor perceive the market system? How do they interact with other market players? The Decent Work selection criteria introduced in Chapter 1.4 provide a useful guideline for governments and development organizations to assess the context of the poor (or, more generally, the context of the target group).

Understanding value chains and their context

2. Understanding the value chain context: the context in which value chains operate must be understood and the symptoms for value chain underperformance identified. This requires a good understanding of market characteristics and trends as well as of how value chains are currently coping with market realities. The five drivers of value chain development set forth in the Introduction of this guide can be a useful guideline. Private value chain initiatives in particular might prefer to start from this angle.

Networking opportunity

The initial research also serves as an opportunity to network with market players: informing them about the value chain initiative and introducing the project team, holding informal discussions to develop an initial picture of the sector, expanding the network, getting support from key market players and decision-makers, etc. Experiences with ILO value chain initiatives have shown that invitations to start-up events (see Section 2.1.2) can serve exactly this purpose - i.e. using personal invitations rather than invitations through mail and other indirect means.

Initial research as an entry point for identifying systemic constraints

The initial research has to be seen within the overall context of a value chain initiative: it is the entry point for insight into deeper systemic constraints within the market system of which value chains form the core. This process is similar to an analytical process by which the analysis of value chain systems moves from identifying symptoms to understanding underlying systemic constraints. This is also reflected within the structure of this guide as illustrated in Box 1.13 below.
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Box 2.8: Diagnostic cone taken from M4P guide

Taken from: DFID/SDC (2008): The M4P operational guide available from www.m4pnetwork.org
Participatory approaches

Participatory approaches are particularly useful for the initial research stage. They offer the project team an opportunity to look at value chains and market systems from the perspective of the target group (e.g. rural farmers or women entrepreneurs) and are therefore an ideal starting point for value chain initiatives. There is a wide range of tools and methods available from Livelihoods Analysis, Local Economic Development participatory approaches, etc.\(^\text{23}\) However, you should also be aware of the risks and limitations of a research and planning process with overemphasis on participation:

- The danger of getting bogged down in symptoms rather than moving on to underlying systemic constraints: “needs”-driven approaches risk falling into the populism trap – i.e. formulating and implementing measures that show quick wins but are not sustainable and do not address underlying issues in the institutional framework of market systems.
- Failure to capture the broad picture: participatory approaches – particularly when they focus only on local economies? often fail to grasp overall market realities because of the limited insight of their target groups.

Using Decent Work selection criteria and five drivers of value chain development as orientation

Data and information on economic activities in Emerging Markets is often rare and unreliable. However, during the initial research of a value chain initiative, the project team should collect all the data and information that it can find, and which is relevant for the selected sector or the target group. If this information has not already been collected during the sector selection process, the checklist in Box 1.5 (Section 1.4) above will provide a useful guide as to what information might be relevant:

1. **Size and relevance** of the sector as an employment and income source for the target group (GDP, employment, sales, markets, etc.)
2. **Decent Work upgrading potential** (stepping-up and stepping-out strategies,)
3. **Intervention potential** (partner organizations, resources, motivation, etc.)

The initial research focuses on available secondary materials and sources such as statistics, study reports, media articles, publications, etc. Section 1.2.4 above also mentions several information sources that might provide such information.

### Box 2.9: Example of Information collected in initial research

<table>
<thead>
<tr>
<th>The target group and its context</th>
<th>The value chain context (in terms of the 5 drivers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevance to target group</td>
<td>System efficiency</td>
</tr>
<tr>
<td><em>How the targeted population participates economically – as producers, consumers or employees?</em> This means developing a clear profile of the poor and the nature of their livelihoods. An indication of potential outreach is also necessary.</td>
<td>Communication and cooperation mechanisms between value chain levels, production costs at different levels, labour productivity, embedded services within transactions, infrastructure requirements and performance, reliability and flexibility of business partners, mechanisms of knowledge and information dissemination, processing times, etc.</td>
</tr>
<tr>
<td>Product quality</td>
<td></td>
</tr>
<tr>
<td><em>General market requirements, relevant quality standards and compliance with market trends, branding strategies, quality control mechanisms, transparency and traceability of production processes over different levels</em></td>
<td></td>
</tr>
<tr>
<td>Growth potential</td>
<td>Product differentiation (market)</td>
</tr>
<tr>
<td><em>Overall economic opportunities and prospects: sources of growth, important trends and, if possible, the dynamics of key sectors which are relevant to the poor.</em></td>
<td><em>Market players and competitors, market shares, customer perceptions of final products, local competitive advantage, research and development facilities, skills and capacity development mechanisms and facilities, market information access mechanisms, technology</em></td>
</tr>
<tr>
<td>Decent Work (social and environmental standards)</td>
<td></td>
</tr>
<tr>
<td><em>Related to Decent Work: occupational health and safety at different levels of the chain, fair trade mechanisms, Social Dialogue platforms, gender equity, codes of conduct of multinationals and private sector initiatives, labour participation (e.g. through unions)</em></td>
<td></td>
</tr>
<tr>
<td><em>Environmental: environmental standards and regulations and compliance</em></td>
<td></td>
</tr>
<tr>
<td>Intervention potential</td>
<td>Policy and regulatory environment</td>
</tr>
<tr>
<td><em>&quot;Drivers&quot;: the triggers for change within the wider context, for example policy reform or institutional change, which shape the momentum for change in a market. This can help practitioners determine the feasibility of stimulating more specific changes.</em></td>
<td><em>Public-private dialogue mechanisms (Social Dialogue), relevant rules and regulations that affect the sector, business membership organizations, unions and union density, availability of and access to BDS, business culture (or social perception of a sector as a source of income and employment), voice and participation of small-scale market players</em></td>
</tr>
</tbody>
</table>

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24 The Springfield Centre (2008): M4P operational guide
2.3 Identifying core objectives for value chain research
(problem definition)

Starting a VC initiative with a vision of change

What are my objectives, and how will I achieve them? Who is my target group, and how will I reach them? It is important that a value chain initiative develop a clear vision of change. During your initial research, you will already gather a great deal of information and data on your target sector. You will also begin to understand where the main opportunities and bottlenecks in the value chain lie. The purpose of the initial research is to get an overall picture of the sector. This is done through

- collection and study of secondary materials such as study reports, statistical data, Internet research, etc.
- casual and informal discussions with market players and specialists on the sector (e.g. while inviting them to the start-up event)
- own observations from visiting the production sites and businesses of market players – especially those of your target group
- findings on opportunities and constraints generated by the start-up event (see event 3 above).

Depending on the nature of your organization - i.e. whether you are from a multinational company/private sector initiative, government institution or development organization – the objectives will vary as well as the means of achieving them.

Box 2.10: General strategic framework
In defining your strategic framework, you need to be clear on the role which you are playing in the market: is it that of a permanent market player, or that of a temporary facilitator (a catalyst)? In the latter case, you need to have a clear understanding of what sustainability means, as this will affect the way you intervene on markets and approach market players. The following definition for sustainability has been adopted for this purpose:

**Sustainability**

**Definition of sustainability:** The market capability to ensure that relevant, differentiated goods and services continue to be offered to and consumed by the poor beyond the period of an intervention.

*Source: The Springfield Centre (2008): The M4P operational guide, for DFID and SDC, Durham (UK)*

Assuming the role of a facilitator whose intention is to provide an impulse for job and income creation and Decent Work, and to withdraw after a certain period of time, interventions would focus on sustainable systemic changes, rather than immediate interventions in core transactions in the value chain. These systemic changes would eventually lead to better performance of core transactions. Better performance of the value chain will then lead to increased job and income opportunities (or, more generally, Decent Work). Thus, a chain of action can be drawn up as shown in *Box 1.15* above.

The following matrix formulates several key questions which you must ask in order to define your strategic framework. You can also use the strategic framework in *Box 1.15* and think it through in your specific context: how do you envisage sustainable change in the market system which eventually leads to improved Decent Work outcomes?
Project setup and initial research & evaluation

Box 2.11: Template table and example for defining objectives and target group

<table>
<thead>
<tr>
<th>What is/are your final objective(s)?</th>
<th>Who is your target group?</th>
<th>What is its defining characteristics?</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is your position in the market system (e.g. permanent player or not)</td>
<td>Are your interventions likely to become permanent market functions?</td>
<td>If so, who will be responsible for them once you exit, and who will pay?</td>
</tr>
<tr>
<td>How will systemic change impact performance of the value chain?</td>
<td>How will improved performance of the value chain lead to your final objectives?</td>
<td>Draw up a strategic framework outlining the causal chain from intervention to final objectives...</td>
</tr>
</tbody>
</table>

2.4 Further reading on project setup and initial research