Course 1: Foundations of Value Chain Development

This introduction covers the underlying principles that define the market development approach—an approach that leverages the private sector for poverty reduction. Market development projects pursue two avenues to improve the lives of poor people:

1. To increase incomes for poor people, by promoting their livelihoods as workers, producers and business owners
2. To increase the provision of products and services poor people need, including access to inputs, infrastructure, information and health services

There are a number of approaches to designing a market development project. This course focuses on the value chain approach to designing such programs.

This introduction covers the following topics:

1. What is Market Development?
2. What is the typical profile of enterprises?
3. What is a Value Chain?
4. What are the dimensions of a Value Chain?
5. How has the Market Development field evolved?
6. What are the Guiding Principles for Value Chain projects?
7. How does the approach address the Underlying Causes of Poverty (UCP)?

1. **What is Market Development?**

Market development is an approach to poverty relief that strives to increase incomes for the poorest of the economically active—that is, those involved in any form of business activity. This is accomplished by facilitating the integration of the poor as business owners or employees into growing markets. Programming therefore helps impact groups better reach final product markets and also access financial services, input, and technology markets to grow their business. Market development approaches can also be applied in other sectors to leverage the private sector to address gaps in education, health, or basic services. It is important to note that NGOs utilizing the market development approach do not provide markets and services, but rather facilitate market linkages to enable sustainability and scale. A facilitation approach helps ensure that the benefits the poor derive from integration into growing markets continue after NGO efforts have ended.

Market development is also notable for its holistic approach to helping low-income entrepreneurs and workers. Many relief efforts focus entirely on the production level of a value chain, improving the production and marketing of farmers and artisans. In contrast, market development involves creating links between multiple enterprises involved in producing goods and bringing them to market. This often means intervention at various levels of the value chain, including the input supply, intermediary, and processing levels.
2. **What is the typical profile of enterprises?**

An *enterprise* is any entity engaged in an economic activity, regardless of its registration status or legal form. Examples of enterprises include:

- A single family engaged in crop production for sale
- An informal cooperative of small farmers who purchase supplies together
- A woman who makes embroidery that she sells by the road
- A wholesaler who works with rural farmers
- A retailer running a small shop

Enterprises are often distinguished by their size, in terms of both employees and assets. While there are no universally accepted definitions of the various categories of enterprises, the types of enterprises value chain development projects typically target include the following:

- **Microenterprises**—The World Bank defines a microenterprise as one with fewer than 10 employees, less than USD100,000 per year in sales, and less than USD10,000 in assets. USAID also classifies a microenterprise as having fewer than 10 employees, but it stipulates that the business is under or close to the national poverty line.

- **Small enterprises**—The World Bank defines a small enterprise as one with fewer than 50 employees and up to USD 3 million in sales and USD 3 million in assets. USAID tends to follow the definitions used by target countries, which can vary but typically do not exceed the 50-employee threshold.

- **Medium enterprises**—The definition of a medium enterprise can vary widely. The World Bank identifies a medium enterprise as one with fewer than 300 employees and up to USD 15 million in sales and USD 15 million in assets. The Organization for Economic Cooperation and Development classifies a medium enterprise as a business that has between 100 and 500 employees. Cambodia’s definition of a medium enterprise is one with 51–100 employees and assets, excluding land, in the range of USD 250,000–USD 500,000.

A number of different abbreviations are used to describe the group of enterprises that market development focuses on, including SEs, MSMEs, and MSEs. For the purpose of this resource guide, we refer to microenterprises and small enterprises as SEs.

**Research on Microenterprises and Small Enterprises**

In the late 1990s, Carl Liedholm and Donald C. Mead conducted a study of microenterprises and small enterprises (SEs), defining them as having 1–50 employees, in six African countries—Botswana, Kenya, Malawi, Swaziland, Zimbabwe, and Lesotho. Their findings were the following:
• The SE sector is much larger than previously known and contributes significantly to employment.
• In these six African countries, SEs employ more than the public sector and large firms combined.
• The majority of SE firms are very small, with one employee-proprietor; among those with employees beyond the proprietor, 75% are family members.
• A majority of SEs operate in rural areas.
• SEs are not just involved in retail, as is the common belief; in fact, there are many SEs involved in manufacturing.
• Typical sectors for SEs include agriculture, textiles and apparel, food and beverages, and wood and forest products.
• Large numbers of SEs are owned by women and employ large numbers of women.
• SEs are a dominant force in the economies of developing countries.
• SEs contribute to economic growth in a way that other firms cannot.

Another study, by Donald R. Snodgrass and Tyler Biggs, produced additional findings about the benefits of SEs and how they operate. Small enterprises:

• Tend to be labor intensive,
• Can be very efficient,
• Are often equitable in distributing income,
• Are widely dispersed geographically,
• Are nurturing of entrepreneurs, and
• Offer advantages to industry other firms can’t—flexibility, low cost, access to resources.

**When SEs Fail**

Despite the efficiency and effectiveness of SEs in providing employment in rural areas, there are circumstances in which SEs are prone to failure. Common factors causing SEs to fail are a lack of working capital and unstable demand for their products and services. Other significant factors include the death or illness of the proprietor, a change in government policy that affects the SE, and the availability of better employment.

**When SEs Succeed**

While situations vary from region to region and enterprise to enterprise, some common characteristics of SEs that succeed include the following:

• Linkages to traders or to manufacturing/processing firms, rather than selling directly to the final customer
• Having more than one employee, with substantial efficiency returns when there are up to ten employees
• Having already been in operation for an extended period (duration is both a sign of success and a driver of future success)
• A diversification at low levels, which allows for income stability
Some other factors that can affect how and whether an SE grows:

- Operating in a high- or low-growth sector
- Its location, in terms of both urban versus rural and the country in which it operates
- The gender of its proprietor and his or her individual capacity

3. **What is a Value Chain?**

Microenterprises and small enterprises are not limited to people and organizations that produce goods. Rather, SEs operate at multiple levels of the value chain. A value chain encompasses the full range of activities and services by market actors required to bring a product or service from its conception to end use and beyond.

A value chain is a way of viewing the activities of enterprises not as isolated actors but as units linked to local, national, and international consumers through market systems. Value chains include producers, processors, input suppliers, exporters, and retailers and encompass the interrelationships of these enterprises.

4. **What are the dimensions of a Value Chain?**

The following are the key dimensions of the value chain that need to be analyzed to develop your program design:

- The End Market
- The Environment for Business
- Value Chain Relationships (horizontal and vertical)
- Support Services (embedded and fee-based)
- Enterprise/Farm Performance
- Leadership/Entrepreneurship
The concept of an **end market** includes the consumer trends and market opportunities that exist in final markets for goods or services. The end market could be a rural market, a hotel chain, an exporter, or a number of other markets both large and small, rural and urban.

The competitiveness of the value chain products or services should also be considered. What other producers or vendors exist in the value chain? What do smallholder farmers or other target groups have to offer the market? What effect would the success of a Value Chain Design (VCD) project have on existing competitors for the market?

The **environment for business** is the broader context of the value chain and includes socio-economic, political, gender, and physical or environmental issues that will affect the target group and the broader value chain. In some cases, for example, regulations and government support for the sector will aid value chain development efforts; in other cases, lack of support, regime instability, or counterproductive regulations could become obstacles.

**Value chain relationships** are not limited to buying and selling. They also include the transfer of information, product designs, credit, technology, or other support products and services. An improved product design, for example, could change the form of the product itself and thus how that product interacts with the market,
ideally making it more desirable. It is important to consider relationships both horizontally and vertically in
the value chain:

- Firms competing at the same level in a value chain: Operators at the same level of a value chain,
  including competitors, have a horizontal value chain relationship. A new or existing competitor
  has an effect on the market, and thus the relationships between such competitors also
  represent a relationship within the value chain. These are horizontal relationships in a value
  chain.
- Buyers and sellers within a value chain: one level of the value chain would be the supplier or
  seller of an item. This firm would have a vertical linkage with the next level in the chain—a
  purchaser. The purchaser could be the consumer or another supplier, such as a wholesaler
  selling items to a retailer, who in turn sells them to consumers. All of these are examples of
  vertical relationships in a value chain.

**Support markets**, such as business services, financial services, and technologies, help value chain players
function more effectively and/or upgrade their businesses. Providers may be private firms, associations, or
even value chain players themselves. The diagram below represents the support services that might interact
with an enterprise and the models of service they provide:

**Figure 1.2: Service Market Actors and Service Delivery Models**

- In a **fee-for-service** transaction, goods and services are provided for a direct payment. This
  would include membership fees and transaction-based payments.
- Sometimes goods or services are **embedded**, that is, the cost is bundled into the price of
  transacting goods, such as when a buyer gives producers design information without requesting
a fee. The supplier of an embedded service stands to benefit from the customer or client receiving that service.

- **Advertising sponsorships** are third-party payments that occur when a larger business sponsors a service in return for advertising or publicity. Radio advertising is a common example of this. For example, a large sponsor pays for advertising time on the radio, but the content of the radio programming (the service) benefits SEs.

- **Subsidies and grants** can be used to support pilot initiatives or industry-wide value chain activities like research or technology development. In crisis-affected contexts, grants are sometimes used to jump-start the market, but a strategy for commercial sustainability should be developed from the outset.

**Enterprise performance** refers to how the various farms or businesses in the value chain can add more value at the level of the individual enterprise or farm. For farms, it is also critical to consider here the use of natural resources, including land and water, as well as other assets, including labor and the education levels of women and small farmers. Enterprise performance is made up of the following two components:

- **Upgrade Operational Efficiency**: Increasing productivity and lowering costs
  - Improved inputs and technologies
  - Improving process/operations
  - Specializing in new functions

- **Upgrade Market Access**: Effective market links into current and new markets and improved product
  - Moving into new market channels
  - Enhanced market linkages
  - Improving the quality of the product
  - New product development
  - Obtaining certification

Value chain practitioners also need to consider whether there are vulnerabilities in the individual profile of the entrepreneur—for example, gender, caste, being located in a drought-prone region—that would impact his or her ability to perform and to upgrade market access.

**Leadership/Entrepreneurship** refers to an organization’s behaviors and attitudes toward innovation. Attitudes toward innovation and the resulting behaviors can impact a business’ willingness to take risks. They can also affect an organization’s ability develop its trade and explore new opportunities. Therefore, it is necessary to create or support an environment that fosters leadership and entrepreneurship. Further, it is important to heighten these efforts when working with marginalized populations, including women.
5. How has the Market Development field evolved?

While many poverty relief efforts are directed only at the producers, **value chain development looks at the entire value chain** because most of the poor derive their income through microenterprise activities that link products and services to end markets. Value chain development is therefore a holistic approach to effectively connect microenterprises to lucrative, higher-value markets, enhancing the livelihood of the greatest number of poor workers and promoting economic growth. ¹ See Type 1: Service Delivery model.

Traditionally, NGOs were engaged in providing services directly to impoverished communities— including the provision of training and equipment to modernize practices in farming and industry, for example. There were, however, several problems with this approach.

- The outreach efforts were fairly limited and were often restricted by the level of subsidies available.
- Without a full understanding of the markets at play, a successful NGO effort could potentially crowd out existing private-sector enterprises.
- Quality issues resulted due to a lack of competition; furthermore, NGOs did not tend to invest in spare parts or after-sale service.
- Acting as a service “provider” does not create sustainable practices in the target groups—once the NGO ends its programming, the product or service offering also ends.
- Business ownership by the impact group is diminished, and a culture of dependency can result.²

The next step in the evolution of the NGO service model was the business development services field whereby the NGO focused on enhancing the links between private-sector suppliers and producers, often through efforts to enhance their capacity. Instead of the NGO directly delivering the services, services were delivered by existing local private-sector service providers. Producers therefore had a choice from whom to purchase

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¹ Source: Engineers Without Borders Canada
² Source: Engineers Without Borders Canada
their services. This model helped SEs by connecting their products and services with markets in such a way that the benefits could continue after the NGO’s outreach efforts came to an end. This was an improvement over the preceding model, but the focus still remained at the production level by focusing on services required by farmers, artisans, and other producers to the exclusion of other actors in the value chain.³ See Type 2: Service Delivery and Market Linkage model.

There were also a number of NGOs that continued to act as intermediaries between various enterprises in the value chain rather than as facilitators, thereby limiting the project scope and/or sustainability. These NGOs were frequently trying to position themselves as a “more honest middleman” or a “trusted broker,” but often they were unable to effectively manage the business or had to end their efforts as grant funding wound down.

Recognizing a need to focus on both economic growth and poverty reduction led to the next phase in the evolution of the field: market facilitation. Value chain development projects, facilitated by NGOs, work with enterprises at all levels in the value chain and focus on interventions that promote economic growth for entire industries, not just those operating at the production level.⁴ See Type 3: Market Facilitation model.

Under this model, sustainable solutions are developed that address market constraints in a manner that ensures ongoing results and scale. Ideally, these solutions are provided by commercial actors in the value chain, since this arrangement is most able to create sustainable market relationships. In some situations, such as extension or advocacy, government or public agencies may also be involved; but even in these, it is important to be creative and identify market-based solutions.

**Sustainable = Business-oriented models + Provision by the Private Sector + Consideration of environmental and social concerns**

Value chain development and a facilitation approach shift the focus of poverty reduction efforts from individual microenterprises to the market system itself. These systems-focused interventions lead to greater benefits for small enterprises.

**Key Points to Remember**

When beginning any value chain development project, these are the key points to remember:

- Value chain development focuses on the sustainable provision of support products and services by competing providers, the majority of whom are private-sector actors.
- Interventions should be temporary, phasing out as markets develop and become self-sustaining.

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³ Source: Engineers Without Borders Canada
⁴ Source: Engineers Without Borders Canada
The focus should always be on identifying leverage points for scale throughout the value chain.

Incentives such as subsidies may be included as a temporary stimulus to catalyze markets and new behaviors but should not be relied upon in the long term.

6. What are the Guiding Principles for Value Chain projects?

Value chain development projects seek to promote inclusive economic growth. This is achieved by empowering poor or otherwise marginalized people to increase their contributions to, and benefits from, viable, growing markets. They are encouraged to work as enterprise owners, farmers, and laborers. These new or improved economic opportunities for small businesses may include participation in markets that are more stable or that have higher volumes or values.

In most cases, value chain development projects do not link poor people directly with customers but work with the range of businesses in the value chain, including input suppliers, processors, traders, associations, cooperatives, wholesalers, exporters, and retailers, as well as support service providers and other stakeholders.

By working with a large range of industry stakeholders, value chain development projects seek to catalyze systemic change that increases the competitiveness of the value chain targeted.

In line with these ideals, eight core principles guide value chain development that is supportive of the poor, or “pro-poor” VC development, and these principles should be considered and reevaluated at each step of the process. You will often need to make tough decisions on prioritizing the myriad options available, and these principles can help guide you:

1. Significant Breadth and Depth of Impact
2. Tailored and Demand-Driven
3. Sustainability
4. Development of Market Systems
5. Stimulation of Demonstration Effects and Market Take-Up
6. Promotion of Empowerment
7. Encouragement of Innovation and Entrepreneurship
8. End-Market-Driven

1. Significant Breadth and Depth of Impact

Value chain development emphasizes strategies for scale of impact in terms of the numbers of poor people reached from the onset. To be pro-poor, projects need to provide support for the poor. They need to be explicit about which marginalized populations are being served, how these people will reach specific markets, and how the barriers they face will be overcome. In selecting value chains and identifying interventions, practitioners seek opportunities that (1) reach the largest numbers of poor people and (2) provide substantial depth in impact in terms of changes in incomes and other indicators of well-being.

When considering breadth and depth of impact:

- Helping the largest number of poor people is typically a higher priority than helping the poorest people, and
- Increasing incomes for a significant number of farmers means ensuring that activities address the underlying causes of low income for your target population and may sometimes mean working higher up the value chain.

In an ideal situation, a value chain project would accomplish all of the above. But to have significant breadth and depth of impact, it is most important to help the largest number of poor people, which often involves increasing incomes for enterprises through the value chain.

2. Tailored and Demand-Driven
Value chain projects are highly customized to the needs of the impact group, their context, and identified market opportunities. Any solutions you identify need to reflect the demands of value chain actors and the practical reality of the market so that critical problems can be addressed in a meaningful way. So, market research and value chain analyses need to include vetting of key findings with target value chain actors.

Projects also need to address the range of specific challenges faced by diverse target populations, including women, disadvantaged ethnic groups, and people affected by HIV and AIDS or other crises. Thus, there is no one solution, or even template, that will apply to all value chain development projects. The shape your project takes will depend on the specific circumstances of the market and impact group.

3. Sustainability
Enterprises that are supported solely by an NGO or other intervener are not sustainable. In some cases, a grant or other investment may be used to jump-start a market; but even in such cases, the value chain development project should look for other, sustainable ways to strengthen the value chain.

Improvements in the value chain need to be market-based, with solutions offered by commercial businesses on a profitable basis to build a dynamic, efficient value chain that endures beyond external support. In certain situations, value chain projects may work with public service providers of solutions, such as government extension agencies.

Improvements should also be environmentally and socially sustainable and incorporate outcomes that promote resilience to potential risks, including food insecurity and climate change. Where possible, value chain projects, particularly in agriculture value chains, should promote conservation and the efficient use of natural resources, given the current strains on soil fertility and water. Interventions should also consider the local culture and society and work within existing norms, not against them.

4. Development of Market Systems
To achieve scale, value chain development initiatives need to explore activities at all levels of the value chain, from input suppliers through end markets, strengthen the whole market system or industry, and work within the wider context of the target market. This includes consideration of value chain businesses, commercial support markets, institutions, the business environment, and, where possible, the social, political, cultural, and environmental context. Often this entails supporting new, more inclusive market relationships.
Additionally, projects need to focus their work beyond targeted businesses, beyond a few buyers, and beyond a handful of service providers in order to foster competition and increase economic choice for all value chain actors.

5. Stimulation of Demonstration Effects and Market Take-Up
Value chain development can support scale-up and sustainability by creating learning systems and promoting demonstration effects. Learning systems include:

- Trade association activities,
- Commercial business service markets,
- Informal knowledge transfer, and
- Formal training institutes.

Ideally, innovations in the value chain can be transferred, and the project can inspire creativity in value chain actors, resulting in a more resilient and competitive value chain with ongoing impact well beyond the life of the project.

6. Promotion of Empowerment
The main goal of value chain development projects is to promote economic opportunities and assist partners, impact groups, and other market stakeholders to evaluate new and existing business initiatives so that they make informed decisions that consider the potential risks and returns and the business environment.

But we take into account a second major goal. Whenever possible, value chain projects should seek to empower the poor through enhanced market literacy and relationships to address power imbalances. Strong relationships that are based on trust and cooperation are essential for addressing power issues and promoting strong, dynamic value chains. You should also consider strategies that enhance the capacity of value chain actors to assess and address new constraints throughout and after the life of the project.

7. Encouragement of Innovation and Entrepreneurship
Addressing the underlying causes of poverty and related long-standing problems in value chain relationships is a challenging task and will require new models, technologies, and means of collaboration to succeed. Value chain projects should encourage new ways of thinking and promote innovative solutions to tackle these challenges and seek out partners with similar values. This will ensure that the value chain is not only sustainable after the project concludes but also continues to grow through new innovations.

8. End-Market-Driven
Typically, when creating a value chain development project, several potential value chains will be identified for possible projects. A list of potential value chains might include:

- A value chain centered on cashews in a region that currently has very few cashew growers
- A value chain focused on apples in a region in which there are currently many suppliers meeting demand
- A value chain for mangoes in a region where urban and international trade is met by large producers but local demand is growing
All of these situations have characteristics that are appealing for potential VCD projects. But to be successful, the projects must be market-driven. In the first case, creating a new market is typically beyond the scope of VCD projects; if the production of cashews were to increase, there might be little evidence of a demand for this product. In the apples example, a VCD project might want to help poor farmers tap into an existing thriving market. But again, if there is no demand for the product or local growers cannot offer something better than what is already available, the value chain efforts could fail. The third example, focused on mangoes, takes into account the fact that the market is currently growing and that there is a demonstrated demand locally. Assuming the other guiding principles are also followed, this is a market-driven opportunity for value chain development with a strong possibility for success.

Remember, in order to grow, project activities and interventions must be driven by end-market opportunities in each sector. These include local, national, and international markets. Both practitioners and value chain actors need to understand the different demands and criteria to compete in these markets, with activities, interventions, and initiatives developed accordingly. Markets are dynamic; value chain actors must be equipped to identify and respond to trends and changes on an ongoing basis.

These eight principles are a useful guide to developing successful value chain projects, but which principles should be given priority and how they will be applied will depend on the target group and region. It is important to remember that having the greatest poverty-alleviation effect does not always mean working directly with the poorest sectors—look for opportunities and markets that will realistically allow your project to do the most good.

**Linking Value Chain Development to CARE’s Programming**

The economic development programs of CARE, which have historically focused on food security and sustainable livelihoods, have regularly incorporated elements of market engagement. Such efforts become even more important in a globalized world in which innovation, opportunity, and risks affect people with ever-greater speed and impact. Recognizing this, CARE began to advance new models to take advantage of growing opportunities for poverty reduction and to effectively prepare communities for inevitable changes arising from broader global trends such as climate change.

CARE’s market engagement approach prioritizes holistic value chain development. Working to achieve women’s empowerment is a function of this goal—nearly four decades of research illustrate that women are frequently exploited or excluded from meaningful market participation. Effectively integrating women into the marketplace is a key to poverty reduction and improved household livelihoods.

In 2008, CARE launched the Market Engagement Strategy. In partnership with 25 CARE Country Offices spanning Africa, Asia, and Latin America, the strategy presents our vision for improving market engagement at CARE and sets a seven-year goal of empowering 10 million women and girls to lift themselves out of poverty. The strategy aims to achieve this by promoting dignified employment and sustainable incomes through the development of agriculture and other high-potential value chains that benefit the poor.

**What Gender Equity and Diversity Programs Offer**

Women and girls make significant, competitive contributions to markets—gaining substantial benefits from their participation as consumers, producers, and workers. The increased incomes, influence, and confidence
they gain through commerce empower them to make the decisions and investments they need to better their lives and the lives of their families.

Research indicates that there are several social and economic impacts of addressing gender inequities.

- In sub-Saharan Africa, women undertake 60% of all marketing (purchasing and selling) and at least half of all tasks related to food storage and raising livestock.  
- When women in the agricultural sector have access to resources and inputs that are similar to men’s, they tend to achieve equal or higher yields.
- A study of women’s labor force participation by the World Bank across 61 countries found a positive correlation with economic growth between 1980 and 1990.
- An increase in women’s incomes, employment, and influence over resource usage correlates to an increase in household well-being.
- There is a positive correlation between women in industry and conservation of resources.

Thus, promoting gender equity in value chains promotes gains for poor households while meeting other goals of the NGO in terms of more productive and sustainable agricultural systems and inclusive economic growth.

7. How does the approach address the Underlying Causes of Poverty (UCP)?

Value chain analysis and programming must take into account the institutional context of the value chain and of the larger market in which it operates—in other words, the rules, organizations, and informal norms that influence transactions and ultimately human behavior in a given value chain.

While analyzing the underlying causes of poverty (UCP) is always specific to the country and context of the target population, CARE International identified several causes within the larger realm of underlying causes that tend to be universally critical. CARE has identified four underlying causes that perpetuate poverty and must be addressed to produce systemic change:

1. Social Exclusion
2. Gender Inequality
3. Unmet Rights to Access Resources and Services
4. Poor Governance

Social Exclusion

Obstacles such as social exclusion can be difficult to confront, since they may be deeply ingrained in the country’s or region’s culture. When we talk about social exclusion, we may be referring to:

- The poor not being involved in creating market rules and/or
- The poor being excluded from certain employment.

Though there are no easy answers, you will likely need to confront this obstacle or similar ones in your VCD project. Two approaches that CARE takes to address social exclusion are as follows:

- Identify incentives that enable households and small enterprises to organize into producer groups to enhance influence.

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• Establish training and certification programs to improve skills, with an emphasis on gender equality, partnering with government and the private sector.

The solutions that work for your project will depend on the circumstances of your target group.

**Gender Inequality**

We have said that empowering women is an important facet of value chain development. But in some regions, long-held traditions relating to women’s place in both public and private life can make this another difficult goal to achieve. Two of the most common obstacles to gender equity are:

- Cultural norms relegating women to limited or low-value activities in the market and
- A lack of transparency and shared decision making within households regarding economic activities and the sharing of profits among household members.

One solution CARE has identified to combat the first problem is to promote women as role models in various functions throughout the value chain, such as extension agents, business owners, service providers, and producers of improved products that meet market demand. CARE also works with other groups as advocates for change, ensuring both men and women have access to training, technological assistance, and more.

Within households, CARE seeks to promote better relationships and community attitudes toward shared decision making, especially related to things like division of marketing roles for household businesses and payments that are made into a shared account controlled by the husband.

**Unmet Rights to Access Resources and Services, and Poor Governance**

There can also be obstacles within a region’s business infrastructure that can be difficult to address for other reasons. Unmet rights to resources and services can be seen as closely related to poor governance, and CARE has divided these into the following categories:

- Higher transaction costs in poor areas due to infrastructure. CARE confronts these challenges by advocating government, donors, and so on for infrastructure investment based upon economic returns and access by shareholder farmers.
- Weak demand for assets of poor people, resulting in limited financing options. In these situations, CARE can establish broker services enabling banks to go down-market via financial valuation and risk assessment for microlending.
- Regulations biased against the poor and/or supportive of larger, more powerful organizations. Here, CARE can advocate for more balanced regulation that treats all businesses equitably.
- Lack of enforcement of contracts and other trade arrangements to the disadvantage of poor producers. In such instances, CARE can support contract enforcement and access to affordable legal services.
CARE’s Theory of Change outlines the three essential outcomes we believe are critical to enable poor women, girls, and their families to escape poverty through higher-value engagement with markets. Through partnerships with the private sector, government, and others, CARE will seek to do the following:

1) **Build the knowledge, skills, and social position of very poor women and girls and their ability to challenge social norms.** This will include a focus on securing their future through products and services such as insurance, savings, and more resilient economic activities, as well as on critical knowledge so they can choose and advocate for economic activities and production practices that will not undermine their future through destruction of the environment.

2) **Strengthen the markets that women link into and enhance their contributions to those markets.** CARE will promote solutions that develop and enhance the competitiveness of value chains and linkages between market stakeholders, based upon economic incentives and informed by sound market analysis.

3) **Challenge structural barriers and promote policies and regulations to support the ability of the poor and the very poor to engage in markets.** We recognize that much of the change we seek to promote will not be possible if there is not change in structural and social barriers against our impact group.

How we focus our efforts in these three critical outcomes will be driven by our analysis of how the underlying causes of poverty impact the target population for a given project and what changes are needed to improve the productivity and competitiveness of the targeted value chain.

All of CARE’s value chain development programs are selected and evaluated according to three measures of success:

- **Breadth of Scale**, or the number of poor and very poor individuals, enterprises, and households that are directly and indirectly impacted by our value chain projects, disaggregated by gender. Understanding that an increase in household-level income does not necessarily equate with enhanced access to resources and decision making on the part of women and girls, we will also seek to track women’s and girls’ empowerment in relation to influencing resource use.
• **Depth of Scale**, measured as the total and percentage increase and control in the annual income (assets and cash) and benchmarked per national poverty lines. Additionally, over time, we will add other indicators that track impacts on the underlying causes of poverty we aim to address, to determine if we are effecting long-term change.

• **Cost Effectiveness**, measured as the ratio of aggregate annual income generated at the level of poor households and enterprises to the total annual expenditure of our value chain projects. Both at the project level and for NGOs globally, the target will be a ratio of at least 100% or better.

The remainder of this resource guide serves as a reference for value chain development practitioners who are looking to develop innovative, sustainable, and effective project designs. As project design is fundamentally about making critical decisions, this toolkit has been structured around the key choices involved in the design of a value chain development project. The guide should be your main resource for project design. The tools can also be used to present information to stakeholders in order to seek their input on key design decisions.