2. **Value Chain Selection**

**Overview**

Value chain selection is the first step in the value chain project design process. This is where the project designers select a particular value chain for further analysis. The goal is to select a value chain that best meets a set of core and supplemental criteria that are defined during this step. These criteria drive the selection process such that the value chain chosen, and hence the project designed around it, will most effectively benefit the intended impact group. Upon selecting one or two value chains, the next step is to conduct in-depth market research for the purpose of program design. Therefore, practitioners need not have all of the information on the sector at this stage of the process.

**Applying the Core Principles**

While the execution of each step of the design process will impact or drive your project’s ability to adhere to all of the eight core principles, the table below highlights which principles are especially vital to this step.
### Step 2: Value Chain Selection - Alignment with Core Principles of Value Chain Programming

<table>
<thead>
<tr>
<th>#1 Significant Breadth and Depth of Impact</th>
<th>Selecting an appropriate value chain is crucial to being able to deliver significant breadth and depth of impact for your project. In fact, this step is perhaps the number one determinant of your success at meeting this principle.</th>
</tr>
</thead>
<tbody>
<tr>
<td>#3 Sustainability</td>
<td>Certain value chains may present more opportunities than others to create sustainable impact. Your choice in this step will directly affect your ability to meet this principle.</td>
</tr>
<tr>
<td>#4 Development of Market Systems</td>
<td>In value chain development, it is important to focus beyond production. You therefore want to be exploring levels of private sector investment throughout the chain.</td>
</tr>
<tr>
<td>#8 End-Market-Driven</td>
<td>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. This is a key consideration when selecting a value chain to work on.</td>
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</tbody>
</table>

### Market Research and Information Required

Remember, at this point you are selecting a value chain for further market research so you will not have all of the information for the value chain analysis...yet! But you will need the following information to select your value chain:

- WEA framework captured in Step 1.
- In addition, designers will need to have conducted secondary and primary research to gain sufficient knowledge about the country and sectors in order to develop a short list of potential value chains.
- The project designer should also be familiar with the goals and principles of the value chain approach to reducing poverty, as well as with the complete value chain project design process.

### Step-by-Step Instructions

The value chain project design process for selecting a value chain is as follows:

1. Develop a short list of potential value chains to evaluate.
2. Review secondary research.
3. Review existing industry and market research.
4. Conduct primary research and key informant interviews.
5. Select criteria to evaluate identified value chains.
6. Collect and analyze data to rank and select value chains.

1. **Develop a short list of potential value chains to evaluate.**
   
   This is usually done through a brainstorming session with members of your team, based on preliminary research. The list should be manageable in size, usually between three and five potential value chains.

2. **Review secondary research.**
The next step is to do secondary research. Secondary research refers to research that already exists (i.e., research that others have already conducted and published). The goal of this step is to build knowledge of the potential value chains that have been selected.

3. **Review existing industry and market research.**
   This can include going back through your own agency’s market research as well as looking at third-party research that is publicly available. Third-party sources may include the following:

   - Government ministry websites and publications for your country
   - United Stated Department of Agriculture Foreign Agriculture Service
   - Global Industry Reviews

4. **Conduct primary research and key informant interviews.**
   The most current information is likely to be found through direct conversations and interviews with key informants within your country/region. Key informants can be found:

   - Government: relevant ministries/departments (e.g., economic development)
   - Private Sector: chamber of commerce, industry/trade associations, farmers’ associations, successful businesses, financial institutions
   - Academics: universities
   - Other NGOs & organizations working in the value chain or related sectors

   Typically, the project designer will be seeking answers to the following questions:

   - What are the growing industries?
   - In which industries is there good potential for linkages for microenterprises and small enterprises?
   - What are the challenges in these industries? To industry competitiveness? To participation by microenterprises and small enterprises? How do these challenges differ for men and women?
   - What are the opportunities? How do they differ for men and women?
   - Who else would have insight into these issues and conditions?

   A key consideration as you conduct this round of research will be to establish a clear understanding of the roles employed by men and women in the value chains within your short list and how these may influence your ultimate intervention strategy. Box 1.1 outlines three typical gender strategies used in value chain projects.
Box 1.1: Considering Gender Strategies

✓ Your organization’s overall mission and approach will determine how gender is incorporated in your value chain selection process. For some organizations, gender is always considered. For others, there may be different top-line objectives, and they may not place a premium on the importance of women’s involvement.

✓ Regardless of your approach, it is important to consider and reflect on gender strategies at this early stage in the process. While your gender strategy may not drive your selection decision, it is important that organizations, from the start of the design process, think about how women and men are involved in or excluded from each value chain, because these considerations will strongly affect your ultimate approach to improving equity and efficiency in the target chains. The following three typical gender strategies can help project designers consider the relationship between a particular value chain and the types of interventions that will be required to improve equity:

1. **Support an Existing Large Population of Women Impact Group Members in a Value Chain**
   Working in a value chain in which there are large numbers of women and women have control and influence is the most common gender strategy employed by value chain project designers. This strategy more easily allows for scale of outreach by targeting interventions to economic activities in which women already likely have some access to and control over the proceeds of their labor.

2. **Support High-value, High-profile Chains with Broad Opportunities for Increased Engagement of Women**
   This strategy focuses on intervening in high-value, high-profile chains where addressing gender inequity will enable more women to enter at all levels. In such chains, outreach potential may be large, but only if women can transition from their role in low-return subsistence value chains into higher-profile, higher-value chains, such as cash crops. Alternatively, this strategy may make sense when women are relegated to low-value positions, such as production, in a high-potential chain. Enabling women to enter higher-value functions, including processing and marketing, in these chains would fit under this strategy. Understanding gender in these types of chains may offer opportunities to identify how more women can be involved and how “positive deviants”—women who are succeeding despite social norms around women’s roles and influence—can be understood in order to define pathways for other women to succeed. Projects that opt to deploy this approach must be careful to understand and mitigate the potential risks inherent in supporting shifts in women’s traditional roles.

3. **Supporting the Emergence of New Value Chains or Higher-Value Opportunities with Un-established Gender Norms**
   This strategy typically represents a middle ground between the first two strategies by aiming to enable women to take on leadership roles in establishing new value chains and/or untapped opportunities for value addition in established value chains. Though it is dependent on context, this strategy is advantageous in that it typically confronts fewer challenges to increasing women’s benefits from and control over the proceeds of value chain participation because gender norms are not yet established.
To identify an appropriate gender strategy, consider the following two steps:

1. Gain a preliminary understanding of women’s current participation in the chain and the overlap with a country’s impact group, to then be deepened via the full analysis of gender in the value chain.
2. Generate a set of hypotheses as to how gender issues in the value chain may be addressed in terms of differences and equalities, and determine the research that will be undertaken to test these hypotheses.

The project designer will need to be able to answer some questions about the role of women within the value chains that are being considered:

- Where are women located in the value chain? What roles do they play? In those roles, how do they lead and/or contribute to making decisions?
- How many men and women are in the chain? As microenterprise and small enterprise owners? As laborers?
- What constraints will poor women face in upgrading their roles and/or entering into the chain?
- What opportunities exist for women in the value chain?
- What are the potential risks to women of expanding their roles and influence over decisions? Are there mobility or other contextual constraints that could endanger women?
- Are women or the people they interact with functioning in hidden roles (engaging in piecemeal contracts, household labor, child rearing) that may impact a target group’s economic potential or cause potential for harm?

This last question is one that is sometimes overlooked. One of the dangers of selecting a value chain based on the market without getting a thorough understand of the impact group is a failure to discover people working in a hidden role that negatively affects the impact group or its economic potential.
Select criteria to evaluate identified value chains.

After completing secondary research, the project designer should be ready to select the criteria upon which he or she will evaluate the potential value chains. There are two sets of criteria: core and supplemental. The core criteria are common criteria used in every value chain selection process. Designers also apply supplemental criteria each time a value chain is selected, but these criteria will vary, depending on country, donor priorities, implementing agency mission, and other factors unique to a particular value chain selection process. The table below outlines universal core criteria as well as a set of illustrative supplemental criteria.

<table>
<thead>
<tr>
<th>Universal Core Criteria</th>
<th>These two criteria are used in every value chain selection process.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth potential/</td>
<td>Is there large scale unmet demand in the value chain or are there clear indicators that the market is growing or will grow in the future?</td>
</tr>
<tr>
<td>Unmet market demand</td>
<td></td>
</tr>
<tr>
<td>Potential scale of</td>
<td>What is the potential for a large and increasing number of impact group members (typically smallholder or landless producers) to participate in the value chain?</td>
</tr>
<tr>
<td>outreach to impact group</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Illustrative Supplemental Criteria</th>
<th>These criteria represent examples of some common criteria used by design teams in value chain selection.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of Public-Sector Support</td>
<td>Is there support within government institutions for growing the value chain? Are there policies or services in place that would help the sector grow?</td>
</tr>
<tr>
<td>Potential Environmental Impact</td>
<td>What is the opportunity for development of this value chain to positively impact environmental issues?</td>
</tr>
<tr>
<td>Private-Sector Investment</td>
<td>Is there an active private sector, beyond production, in the sector? Are businesses investing in the value chain?</td>
</tr>
<tr>
<td>Value Chain Preparedness</td>
<td>Is the private sector poised to grow the value chain? Are there private-sector associations in place? Are there other NGOs working in the value chain with whom we could partner? What are the opportunities/gaps in terms of financing that the project could leverage/address?</td>
</tr>
<tr>
<td>Food Security</td>
<td>What role does the value chain play in food security? What is the nutritional importance of the crop?</td>
</tr>
</tbody>
</table>

Selecting the right set of criteria upon which to base the value chain selection is key. Here are some things to consider during criteria selection:

- Don’t base the selection purely on the current involvement of producers (or impact group) in the value chain—or vice versa, their lack of involvement.
- Look for trends; for example, unmet market demand may be the same for two value chains, but for one of those, it may be trending upward.
- Avoid focusing only on recent performance of a value chain, look one, three, five, and even 10 years back.
- Involve others in criteria selection, get multiple opinions from people within your agency and people external to it if possible (e.g., Key Informants, Stakeholders).
• Consider the impact and opportunities around financial services in relationship to the various value chains. Are there financial partners, services, and/or products in place? Does the impact group have access to financial services?

6. **Collect and analyze data to rank and select value chains.**

   The last activity in the value chain selection process is to rank the potential value chains against the criteria the project designer has chosen. In order to do this, the project designer may need to, once again, do additional market research. Consider that in order to rank value chains against the two core criteria, the project designer needs to know the following:

   • What is the current potential for market expansion?
   • Are there risks that the market might decline?
   • What is the growth potential in the short, medium, and long term?
   • Are local production factors (land, labor, infrastructure, etc.) conducive to growth?
   • Is there evidence of strong effective demand?
   • Is there demand that is not met by current supply?
   • Who are the current competitors?
   • How competitive is the local value chain?
   • How many enterprises in the impact group currently participate in the chain? How many more can be brought in?
   • How do/could these enterprises benefit?
   • Can/could these enterprises earn regular incomes in this value chain?
   • Do these enterprises have the technical capacity and potential to reach new markets?

   If the project designer cannot answer those questions, more research and analysis needs to be conducted. Usually, the project designer will go back to the key informants to fill in any gaps in understanding. When the project designer is ready, he or she will rank each potential value chain against the criteria on a scale of one to five. The project design team should review the results with stakeholders and key informants and make adjustments as necessary before finalizing value chain selection.

   **TIP:** Some details of implementation, particularly replication and exit, often emerge during project implementation rather than at the design phase.
Here is an example evaluation table:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Coffee Beans</th>
<th>Mangoes</th>
<th>Poultry</th>
<th>Vegetables</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core Criteria</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth potential/unmet market demand</td>
<td>1</td>
<td>4</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>domestically</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Potential scale of outreach to impact</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>group</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Supplemental Criteria</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public/Private/Civil Sector</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Financing Opportunities</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6</strong></td>
<td><strong>10</strong></td>
<td><strong>15</strong></td>
<td><strong>7</strong></td>
</tr>
</tbody>
</table>

Case Studies of Gender in Value Chain Selection

**CARE Malawi**

CARE Malawi has a long history of working on the economic empowerment of women, with significant successes. With a focus on Village Savings and Loans (VS&Ls), research conducted by CARE between 2005 and 2008 showed that households with VS&L members increase the level of consultative decision making between husbands and wives on issues related to children’s education, marriage of daughters, and household spending. However, decisions on use of land and productive assets purchased with revenues from high-value, high-profile value chains such as maize and tobacco remain largely the domain of men, who are also the primary household representatives and decision makers in existing producers’ associations.

**Best Practices**

What leads to success in value chain selection? Here are some general considerations:

- Set evaluation criteria that will help select the most promising value chain and that meet stakeholder, donor, and your agency’s goals.
- Avoid selecting value chains based on preconceived assumptions from limited or anecdotal data rather than on active research on a value chain and its relevant market opportunities.
- Anticipate any potential for harm to the target group.
- Have a complete understanding of financial services at play in the value chain, including actors at all levels.
- Look for target groups acting in “hidden roles” that can only be revealed through solid research.
- Be familiar with the activity of other NGOs, to avoid duplicating the efforts of other public agencies and to consider another organization’s value-add.
An analysis of the potential to finally enable women to move into maize and tobacco, given the high potential revenues and profits, showed that attitudes and opportunities in these two chains were so firmly entrenched in men’s influence that it would take a significant longer-term effort to change attitudes and behaviors around women’s role. Additionally, given the importance to these two crops, having women take these issues head on risked increasing conflict within the household.

For this reason, CARE instead developed a staged strategy to gradually enable women to take on issues in maize and tobacco value chains.

CARE sought to form new producers’ associations directly linked to VS&L groups (assets derived from group participation are much more likely to be controlled consultatively or wholly by the members), focusing initially on new, high-potential-value chains where there is a relative paucity of existing producers’ associations, including fish farming and broiler and egg production. Experience gained from leading and participating in producers’ associations for these value chains will be used as a jumping-off point to catalyze household and community-level dialogue about decision making around other crops, such as maize and tobacco.

**MEDA Pakistan**

MEDA was exploring a new project in Pakistan with its partner, ECDI (Entrepreneurship & Community Development Institute). The project team knew that they wanted to focus on income increases for women. Three subsectors were initially chosen: garments, handicrafts, and information technology. Market research was done to gather critical information on each sector, particularly focused on market growth, involvement of female microentrepreneurs, and potential for regular incomes for female microentrepreneurs. Substantial information was collected through a range of research tools, including stakeholder meetings and key informant interviews. It was revealed that these three subsectors did not “meet” the stated criteria. For example, the information technology sector had substantial potential for growth, but involvement of female entrepreneurs was limited. There were many women involved in handicraft production, but the potential for market growth was limited.

The research led to identification of a fourth subsector: embroidered garments. This revealed that a high-value market for quality garments incorporating contemporary designs existed. Furthermore, female microentrepreneurs in Pakistan had substantial expertise in this sector. With an effective project design, women would be able to take advantage of this growing market and increase their incomes.
Vision for the Embroidery Value Chain in Pakistan

Figure 2.1: Embroidery Value Chain

This diagram represents how a value chain might work after the completion of a development project. This model is based on a previous project targeting female homebound embroiderers in Pakistan.

Embroiderers had been unable to access critical market information that would allow them to sell product in lucrative higher-value markets—their designs were outdated, and their products were not of an acceptable quality.

The value chain development project facilitated access by promoting embedded service delivery through a network of female sales agents. Key activities included identifying women who already acted or were willing to act as sales agents to rural women embroiderers and making multiple introductions to avoid creating monopolies. A training program was developed to build the capacity of sales agents in community outreach, sales and marketing, and business development.

The project promoted product development and design services to rural embroiderers, provided by mobile women sales agents. By introducing a new range of customers, the project attempted to demonstrate to designers that there is demand from rural women for their services. It soon became apparent that sales agents were unable to access these formal design services. But an additional value chain actor was identified: the tracer designer. These individuals, mostly men, design the embroidery stencils and imprint the designs on the fabric; mobile sales agents were able to interact with these men and could afford their services.
Common Challenges with Value Chain Selection

These are some common mistakes made during value chain selection:

- Selecting value chains with large number of members of the impact group but without growth potential
- Selecting an industry or sub-sector with high growth but no large numbers of members of the impact group
- Neglecting to take into consideration the “do no harm” principle when choosing a subsector
- Selecting evaluation criteria that do not align with your agency’s mission and competencies
- Selecting value chains where there is already a high level of involvement from other organizations
- Neglecting to consider growth and potential at other levels of the value chain beyond production

Tools/Resources

An Excel-based tool has been created to help the project designer organize the value chain selection activities. You will find it within the zip file labeled “VCPD-Tools.” The tool is called “Value-Chain-Selection.xls”