International Labour Organization

VALUE CHAIN DEVELOPMENT FOR DECENT WORK

How to create employment and improve working conditions in targeted sectors

Second edition

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Roel Hakemulder and Value Chain Development Team

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Foreword

This second edition of the Value Chain Development for Decent Work guide has been re-written with an emphasis on moving from analysis to action. This version includes expanded guidance on design and implementation of value chain development interventions with an emphasis on jobs and job quality. A big effort has been made to be brief and focus on core guidance, with additional reading suggestions made where further detail is required.

Sustainable Development Goal 8, "Promoting inclusive and sustainable economic growth, employment and decent work for all" is central to what this guide seeks to achieve. Following a market systems approach, the guide was written for facilitators who strive to develop market systems which reduce poverty and promote decent work for all.

Two concerns have been central to the writing of this guide: scale and sustainability. If designed and implemented effectively, value chain interventions can generate impacts with significant scale. Furthermore, if the changes in the market system are beneficial to businesses and other market actors, these impacts are likely to be highly sustainable. This guide outlines concrete steps that practitioners can follow to achieve scale and sustainability. When considering impact, it also goes beyond pro-poor growth alone and encourages practitioners to think about the effects of interventions on working conditions.

The team that produced this guide includes Roel Hakemulder, its main author, and a group of engaged professionals at the ILO's Small and Medium Enterprises (SME) Unit, as well as external contributors from the Value Chain Development community.

We hope it provides clear and practical guidance that value chain practitioners can use to maximize the impact of their work.

Merten Sievers
Global Coordinator
Value Chain Development and Entrepreneurship
SME Unit
Enterprises Department
ILO Geneva

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The guide builds on the first edition of the Value Chain Development guide (2009) written by Matthias L. Herr and Tapera J. Muzira, from which substantial material was used to write the second edition.

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Table of contents

Prologue: It's the stupid cows!

The following story, adapted from Fairbanks and Lindsay (1997), is told by a company that was tasked with providing the Colombian government and private sector with recommendations on how leather goods could be exported to the United States to create employment and income-generating opportunities in Colombia.

> *'We began in New York City, where we met buyers of leather handbags from around the world, and interviewed the representatives of 2,000 retail establishments across the United States. What emerged was one clear message: the prices of Colombian handbags were too high and quality was too low.*
>
> *Back in Colombia we asked handbag manufacturers why this was so. They told us, "No es nuestra culpa". "It's not our fault". They said it was the fault of the local tanneries that supplied them with bad hides.*
>
> *We travelled to the rural areas to meet the tannery owners. They explained: "It's not our fault; it's the fault of the slaughterhouses. They provide low-quality hides because they make more money from the meat with less effort. They don't care about damaging the hides."*
>
> *We went to the camps where cows are slaughtered and met cowhands, butchers, and managers wielding stopwatches. They explained that it was not their fault, but the ranchers'. "You see," they said. "The ranchers over-brand their cows to keep the guerrillas from stealing them." The numerous brands destroy the hides.*
>
> *We finally got to the ranches, far away from the regional capital. We had come to the end of our search because there was no one left to interview. The ranchers told us that the problems were not their fault. "Es la culpa de la vaca". "It's the cows' fault. The cows are stupid," they explained. "They rub their hides against the barbed wire to scratch themselves and fend off the flies."*
>
> *We had come a long way to learn that Colombian handbag makers cannot compete for the attractive US market because the cows are dumb.'*

What does this story tell us? It shows that a chain of businesses is involved in bringing a product to market and the performance of each of these businesses is affected by the actions of others. As development actors, even if our ultimate aim is to improve the performance of one group of businesses, such as poor farmers, we would also need to improve the performance of the businesses at other points in the chain. Furthermore, we would need to understand how these different groups of businesses interact with one another, so as to ensure that these interactions are beneficial, rather than harmful, for our target groups. In this case, rather than recognizing that their success is dependent on each other and on working together for mutual benefit, businesses were pointing the finger at each other and claiming: "It's not our fault"!

To complete our understanding of the causes of low performance, we must also look beyond the chain itself. Is the transport infrastructure good enough to ensure that pro-

ducts can be transported to market at a reasonable cost? Are there sufficient laws and enforcement to protect the property of businesses? Are the different businesses able to purchase the best inputs they need to maximize their productivity? These factors fall into two broad categories – 'rules' and 'supporting functions'. Together with the value chain, they make up the market system. These concepts will be explained fully during the course of this guide. But the key point to note at this stage is that to improve the performance of businesses in a way that benefits the target group, we must understand the whole system that affects their performance, and intervene in ways that tackle the underlying, systemic causes of low performance.

Introduction: Value chain development for decent work

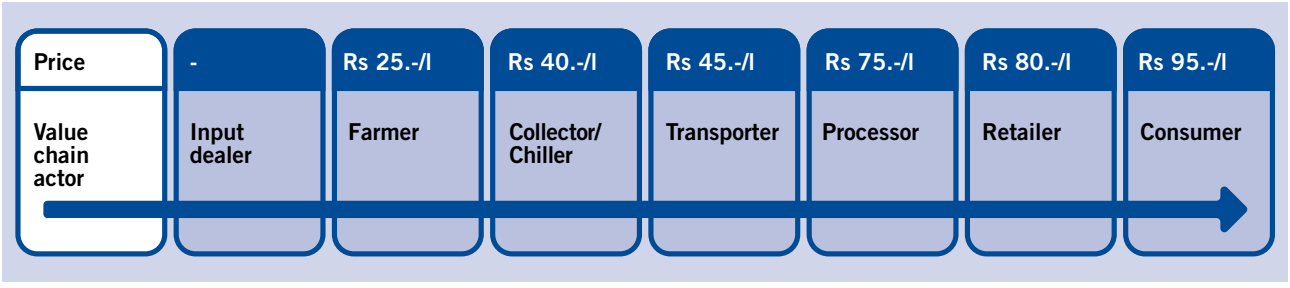
Key concepts and principles

Before we describe the ILO's approach to value chain development in detail, we first need to understand some key concepts and principles that underpin this approach. We will start by exploring what value chains and market systems are, as well as how they relate to each other. We will then go on to explain the concept of decent work and the contribution that value chain development can make to decent work goals. We will finish by describing the key pathways through which value chain development is achieved, the role of the ILO in achieving this, and the project cycle as applied to value chain development interventions.

What is a value chain?

A **value chain** "describes the full range of activities that are required to bring a product or service from conception, through the intermediary phases of production and delivery to final consumers, and final disposal after use".[1] This includes activities such as design, production, marketing, distribution and support services, up to the final consumer. Activities constituting a value chain are often divided among several businesses, though they may sometimes be contained within a single, large business. These activities can take place within a single country, or be spread across two or more countries. As shown in Figure 1, each link in the chain adds value - and margins - to the product or service being delivered to the consumer. Hence the name value chain.

Figure 1: Value chain for the milk sector



Source: Adapted from Kaplinsky 2004

In reality, value chains are not as simple and linear as in the above example. For instance, goods originating from one producer group may be sold to a variety of both domestic and export markets. A number of distribution channels may also be used in order to reach these markets. Equally, some produce may be sold processed, and some may not.

1. Kaplinsky & Morris 2003: 4

Particular attention will be paid to the relation between value chains, through which they are interconnected not only at the end, but also at various levels. These complexities, as well as how to deal with them in value chain development programming, will be explored in subsequent chapters.

The value chain concept differs from that of **supply chains**, which consider the process of bringing products and services to markets from the perspective of a main buyer or lead firm. The focus is often on the logistics of organizing a supply system. The term value chain is more often used with a developmental connotation, addressing productivity, growth and job creation. It does not take a particular enterprise, and its needs and interests, as its starting point, but considers the process of bringing products and services to markets as a complex system, in which all market actors have a role to play.

A **sector** refers to areas of the economy in which businesses share the same or related products or services. Sectors are broader than value chains, and within sectors we often find several value chains. For example:

- The livestock sector: value chains for different species (e.g. sheep, cows, poultry), and for different products (e.g. fresh meat, processed meat, dairy, eggs);
- Light manufacturing: different types of products, such as apparel, electronics, and within these more specific value chains, such as ready-made garments, ICT or household equipment;
- The tourism sector: includes a wide range of value chains, from mass beach or city tourism, to adventure or ecotourism.

What is a market system?

Value chains do not operate in isolation, but are part of wider market systems, as Figure 2 demonstrates. A well-functioning market system includes a number of actors providing 'supporting functions' to businesses in the core value chain, as well as actors who set and enforce 'rules' about how value chain actors operate. In a dysfunctional market system, these supporting functions and rules may be absent or weak.

The **supporting functions** provided to the value chain are varied and include infrastructure, financial services and skills training, among others. The presence of these functions can improve the performance of actors in the core value chain. Equally, the underperformance of the chain can often be traced to a lack of, or weaknesses in, these functions. For example, financial products may be inappropriate, or weak infrastructure may inhibit the transport of goods to market.

The other key components of the market system are the '**rules** of the game', which govern the way that actors in the value chain operate. These include labour legislation, regulations at all levels of government, quality standards and government policies. They also include informal norms and values, which are the customary rules of behaviour that shape interactions and ideas about what is good, right, fair and just. These may be explicit or implicit. Absent or inadequate rules, or poor enforcement,

can reduce the performance of a value chain. For example, if property rights are not guaranteed, this may lower performance of businesses at several points in the chain.

Neither rules nor supporting functions exist in isolation from **market actors**, also known as players. These are the public and private organizations, such as businesses, representative associations and the government, who either formulate the rules or provide supporting functions. Constraints in market systems are therefore often due to market actors' lack of capacity, or weak incentives to perform their role effectively. For example, the labour legislation that governs employment in a value chain may meet all relevant labour standards, but if there is no capacity to inform employers and workers, or no capacity to enforce it, the legislation will be ineffective. Equally, business consultants may have the necessary skills and services to serve small and medium-sized enterprises (SMEs), but may have no incentives to do this if the large enterprise market is more lucrative.

Low performance of a market system is of interest to development actors because ultimately, it may affect the participation and performance of poor women and men in the value chain.

Promoting decent work in value chains

Decent Work is *'productive work for women and men in conditions of freedom, equity, security and human dignity'*.[2] It refers to opportunities for work that are productive and deliver a fair income; provide security in the workplace and social protection for workers and their families; offer better prospects for personal development and encourage social integration; give people the freedom to express their concerns, to organize and to participate in decisions that affect their lives; and guarantee equal opportunities and equal treatment for all.

The ILO Declaration on Fundamental Principles and Rights at Work (1998) states that four fundamental principles and rights at work are universal, and apply to all people in all States, regardless of the level of economic development. These are:

- Freedom of association and the effective recognition of the right to collective bargaining;
- The elimination of forced or compulsory labour;
- The abolition of child labour;
- The elimination of discrimination in respect of employment and occupation.

Although other interventions, such as promoting appropriate legal frameworks and enforcement, are critical to the achievement of these aims, value chain development can also make a major contribution. In particular, the ILO's approach to value chain development can contribute to decent work by:

- creating more and more equal opportunities for productive work for women and men;

2. ILO 1999

- increasing incomes;
- providing greater income security;
- enhancing social integration (e.g. through dialogue, Business Membership Organizations (BMO) and cooperatives);
- providing better prospects for professional development (e.g. learning new skills);
- improving workplace safety and health (OSH).

A key point to note is that in addition to promoting development objectives, there can be a strong **business case** for firms within the value chain to provide good labour conditions. For example, if firms have a workforce that is motivated, educated and empowered, this can improve employee performance and contribute to the growth and sustainability of businesses.

An integral part of any Decent Work strategy is **gender equality of opportunities**. This involves implementing an approach to **gender mainstreaming** that systematically analyses and addresses the specific needs of both women and men, and seeks targeted interventions to enable women and men to participate in, and benefit equally from, development efforts.

In common with the approach of many donors and other agencies, this guide takes the view that value chain development can and should contribute to gender equality through Women's Economic Empowerment (WEE). The elements that most definitions of WEE have in common are:

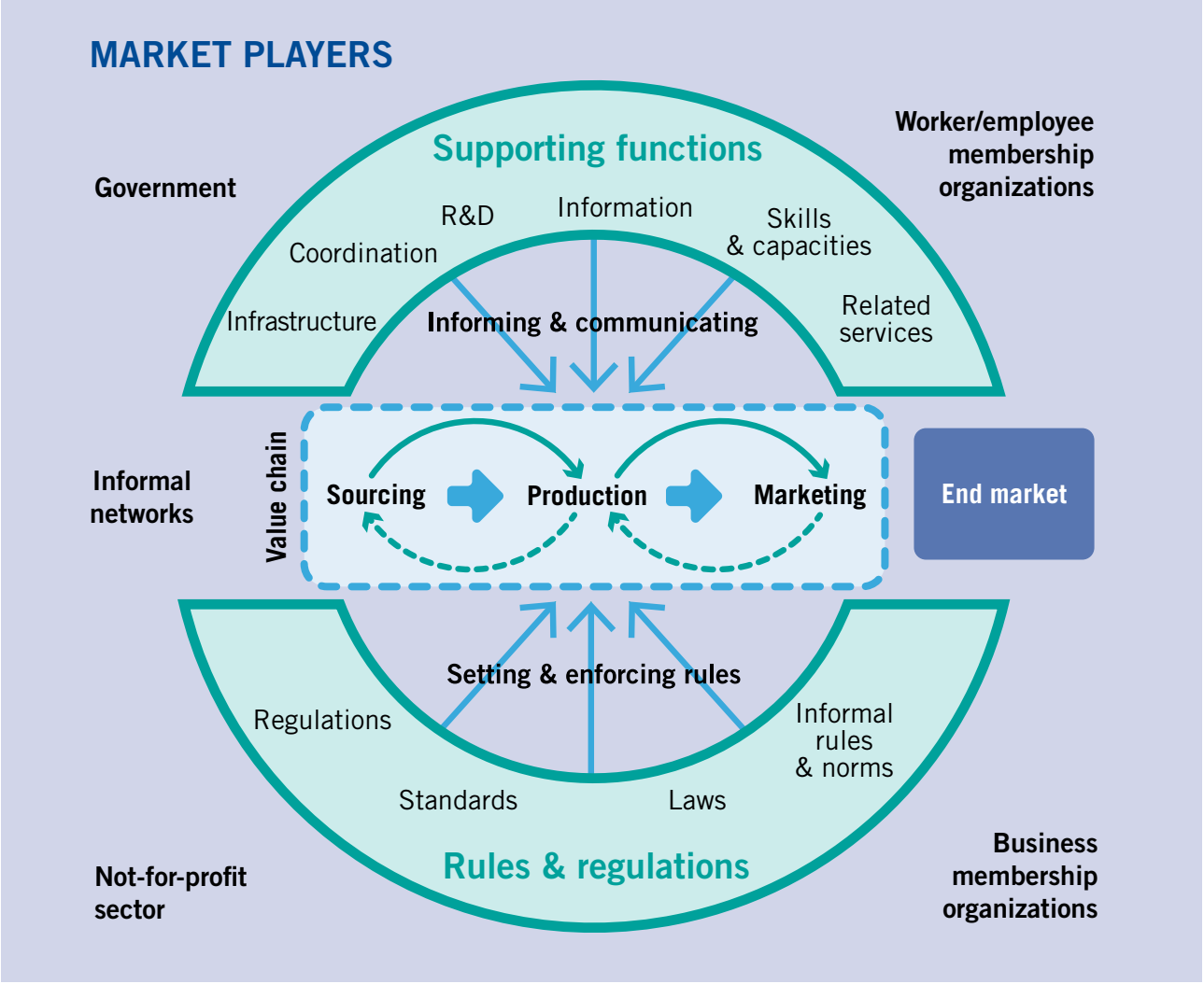
- Greater access by women to resources, services and legal provisions, leading to more opportunities for economic advancement;
- Greater agency: the power to take and act on economic decisions. This covers issues such as time use, physical mobility and decision-making ability. Economic decisions refer to decisions regarding the enterprise, as well as those affecting the household, for instance on how income is spent.

The approach to the promotion of gender equality taken by this guide involves two key processes:

- Assessing the implications for women and men of any planned intervention, so that women and men benefit equally, or that inequality is not perpetuated;
- Developing interventions that address constraints specific to women or men's empowerment, whenever one of these is in a particularly disadvantageous position.

The guide will provide further advice on how to address Decent Work issues in value chain development projects at each stage of the project cycle.

Figure 2: Value chain within the market system



Source: Adapted from the Springfield Centre (2014)

Value chains affect the environment, environment affects the economy

It is crucial to acknowledge that the activities of businesses in a value chain have the potential to cause negative environmental impacts. Some examples are:

- pollution of air, water and soil with chemicals that are toxic to humans, animals and plants;
- depletion of natural resources;
- emissions of greenhouse gases, which contribute to climate change.

In turn, negative impacts on the environment have negative impacts on livelihoods, businesses and economies as a whole. For example, pollution of lakes may reduce fish stocks, with negative impacts on the local fishing industry, or climate change may increase the occurrence of natural disasters, causing the destruction of productive assets.

As such, **if value chain development causes negative environmental impacts, it may do more economic harm than good.** This is not to mention the effects on human health and ecosystems.

Green opportunities

It is also important to note that there are now significant markets for 'green' products. These present opportunities for businesses and value chains to increase profits, while also reducing negative environmental impacts.

Integrating environmental considerations into value chain development

With this in mind, it is essential to integrate environmental considerations into value chain development programming. Specifically, it is recommended that:

- at a minimum, all projects should follow a 'do no harm' approach, in which steps are taken to ensure that the changes the project stimulates in the target value chain do not result in increased environmental impacts;
- in some cases, projects may go further and aim to stimulate changes in the value chain which specifically reduce environmental impacts;
- projects should always consider whether there are any 'green opportunities' the project could help the value chain to access.

This guide will highlight the points at which environmental issues should be considered in value chain development programming. For the purpose of brevity, however, it does not present all of the numerous tools which have been designed to achieve this. Where tools and additional detail are required, readers should consult the resources outlined in the 'further reading' sections of each chapter.

Value chain development: why engage in it?

Many donors and international development agencies are working towards the goal of poverty reduction through enterprise or private sector development. Similarly, the goal of the ILO's Enterprise Development programme is the large-scale creation of **Decent Work** in sustainable enterprises for women and men, particularly the poor and other disadvantaged groups. As well as reducing poverty in income terms, the ILO's approach places strong emphasis on improving labour conditions. Both the ILO and many other agencies have adopted value chain development approaches to achieve these goals. So why has the value chain development approach been so widely embraced?

Value chains are the way the private sector is organized. The performance of enterprises of all sizes, and hence their ability to create decent jobs and incomes for women and men, is inextricably linked with the performance of the value chain to which they belong. Therefore, understanding value chains – ***value chain analysis*** – helps development practitioners to identify those chains where actors can produce more

competitive products or services that are able to generate growth, job creation and poverty reduction. This approach also aims to identify constraints to value chain performance, which may adversely impact the poor, so that interventions can be designed and implemented to address these constraints and improve pro-poor outcomes – ***value chain development.***

Enterprises can benefit if systemic constraints such as high transaction costs, weak bargaining power and low financial and other capacities can be addressed. The goal is to bring about ***more inclusive and sustainable growth***. This may include the following outcomes:

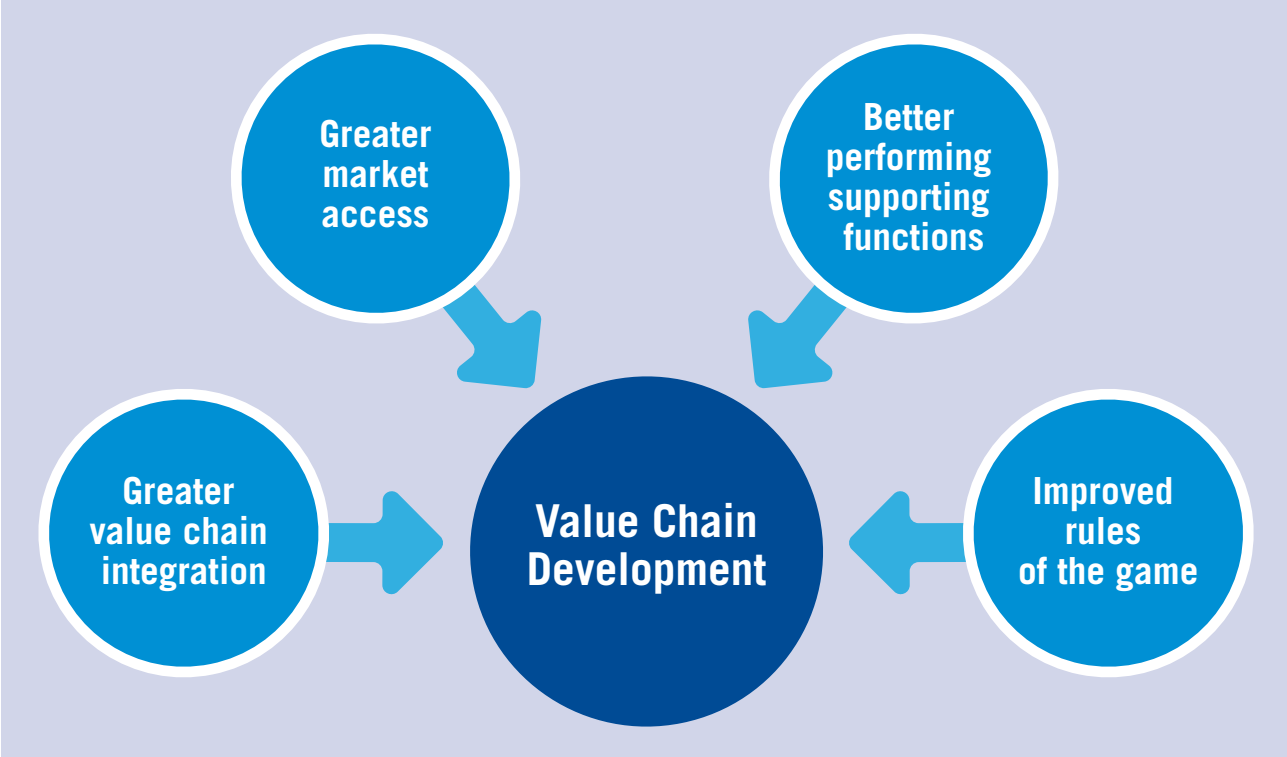
- Better integration of SMEs in value chains;
- Greater participation of women, the poor and other typically excluded population groups in the labour market, and more benefits from this participation;
- Work that is more decent;
- Greater environmental sustainability.

These objectives are all priorities for the ILO and other agencies, but none is the automatic result of greater competitiveness and growth in value chains. Value chain analysis, and the design and implementation of interventions, must take proactive steps to address these goals. If they are not proactively addressed, the outcomes for the target group could be negative rather than positive. For example, conditions may become more exploitative for workers. Value chain development aims for win-win outcomes: improved enterprise performance and growth at the *same time as* positive impacts for the poor and vulnerable groups.

Pathways to value chain development

Having established what value chains are and how they form part of market systems, let us consider more closely what ***value chain development*** is and what makes it happen. In a market economy, value chains are competing against each other. For instance, a local milk value chain may be competing against imported and packaged UHT milk from a different value chain. To stay in business, the milk needs to be cheaper or have other distinctive qualities that would convince final consumers to buy it. This competition is the main driver of most value chain development. From the perspective of development agencies, value chain development is the support provided to this process, which aims to identify and address the **systemic constraints** that inhibit inclusive growth. We can identify four main ways in which value chains can develop and become more competitive:

Figure 3: Pathways to value chain development



Greater value chain integration

There are opportunities to increase the performance of value chains by market actors – large and small – working together more effectively. Many value chains are hardly chains, because links between enterprises are weak or non-existent. For example, processors may find it difficult to obtain inputs from producers because there are no collection points or no adequate cold storage facilities. Likewise, producers export unprocessed material because there are few local processors. Developing and improving essential linkages along the value chain is known as vertical integration. Just as important can be horizontal integration, for instance when producers form associations or cooperatives to enhance their bargaining power, or to perform a bulking function in order to provide the volumes required by large buyers.

Greater market access

Developing linkages to new markets can be a powerful path to growth. Many value chains are limited to local, traditional markets because of lack of information about other opportunities, or because actors do not have the capacity to respond to these opportunities. For instance, large international hotel chains often import much of their fresh food, even though local farmers are able to produce it. The development of supermarkets provides other opportunities for local producers, though they may not be able to access these opportunities due to weak linkages to buyers or low quality produce. In tourism, links are often missing between international tour operators and travel agents. Accessing

new markets often involves meeting new quality standards, or producing larger quantities, and may therefore generate innovation and be an incentive for greater value chain integration. Consumers demanding that social and environmental standards are met can also act as an incentive to improve working conditions.

Better performing supporting functions

Systemic constraints often lie in the supporting functions where market actors outside the value chain are 'underperforming' (with weak incentives or capacities), 'mismatched' (the function is performed by the wrong actor) or 'absent' (no actors involved). This can be addressed by market actors taking on new or improved roles. For instance, meeting quality standards may require new or improved training, testing and certification services, as well as informing enterprises about these services. Improved public-private dialogue can contribute to more relevant training. Market research services may be needed to understand the nature of demand, for example in international tourism markets. New workplace improvement services may help value chain actors to enhance productivity. Better roads or access to a reliable source of electricity can also be key improvements in supporting functions.

Improved rules of the game

Improving 'rules' and their application may be crucial to enhancing the performance of value chains, and be a powerful incentive for value chain integration and innovation. For instance, many value chains are constrained by the complexities of access to land, for construction of facilities or for production. Simplifying relevant regulations and procedures can reduce such obstacles to growth. Adopting and applying food safety standards can enhance the competitiveness of food value chains on local markets (with international imports) and export markets. Environmental legislation will enhance the acceptance of products in international markets. More and better information on legislation and other rules will enable more market actors to benefit from them.

Implementing value chain development interventions: facilitation, not direct intervention

During implementation of value chain development projects, either by the government, private sector or a development organization, the question of **impact at scale** is vital. How can value chain interventions lead to the improvement of as many livelihoods as possible? How can we ensure that the impact does not remain with a pilot project in a limited area, but that as many people as possible benefit?

Impact at scale refers to sustainable systemic change that leads to an improvement of job and income opportunities and the ability to make informed choices for a large number of people, without necessarily extending the project's outreach. Achieving impact at scale is also a matter of opening up 'pathways to crowding-in': by this we refer

to the purpose of the *facilitator* role, through which agencies are temporary outsiders who attempt to stimulate lasting change in the way that permanent actors go about their business. This helps to keep the *ownership* of improvements in market functioning firmly in the hands of the market actors themselves.

The way to achieve market system development is through **Social Dialogue**, a participatory approach through which representatives of the main public and private market actors are involved in formulating solutions for constraints in the selected value chain. As a tripartite membership organization, with governments and employers' and workers' organizations as constituents, the International Labour Organization can play a useful role as a facilitator here.

However, as the prologue to this guide highlights, the process of value chain development often requires skills and a perspective that market actors may not have. Effective facilitators are able to take an impartial 'helicopter' view of how a system currently performs now, and how it could perform better. This external view is required to go beyond surface appearances, such as the views of farmers in the prologue that shortcomings are the fault of "the stupid cows". Instead, facilitators should design interventions that have the potential to develop market systems where incentives are altered, and change is taken up by actors across an industry, rather than the few actors with whom a project decides to work.

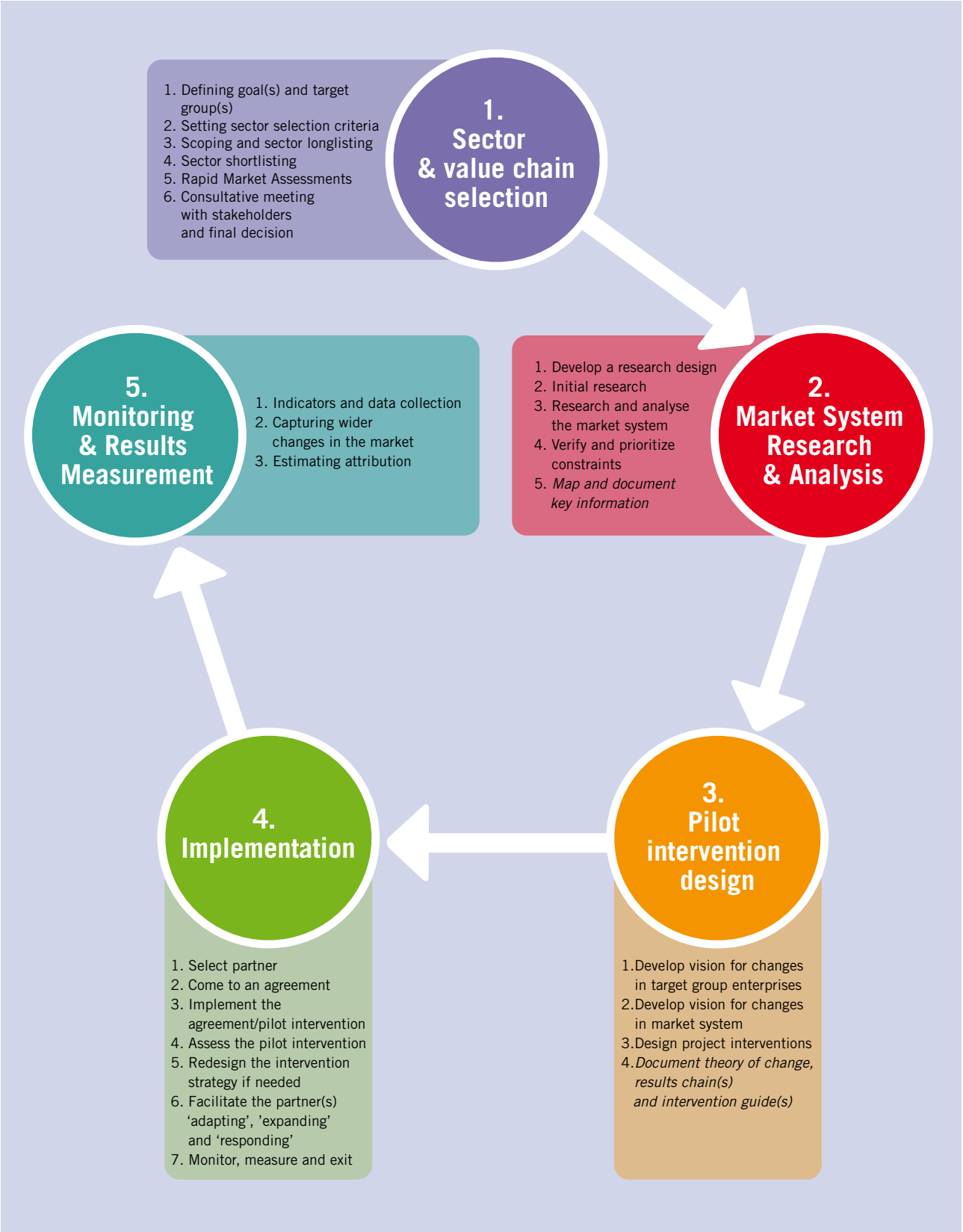
While the facilitation role is therefore an active one, *it precludes the agency taking on the role of or replacing market actors*. For instance, the agency should not provide direct goods or services to enterprises or other parties engaged in market relationships. Facilitators must instead ask why the market is not currently providing these goods and services itself, and stimulate changes in the market system, which enable it to do this. Neither should the agency develop or implement policies or regulations. Instead, it should help to enable those actors who should be doing this to fulfil their role better, or indeed take on this new role. Facilitation therefore allows the agency to be a *temporary catalyst* of change, which is led and taken up by market actors. This means that when the project withdraws, market actors will continue their new roles and the changes will be sustained.

The value chain development cycle

The approach outlined in this guide consists of five main steps for implementing a value chain development initiative. These steps can be seen as a project cycle, underlining the fact that continuous improvement is necessary to keep sectors and their value chains competitive, and to improve the situation of target groups within these chains. This does not mean that the role of the facilitator is not time-bound: development initiatives should aim to develop market systems that can independently resolve problems and capitalize on pro-poor opportunities in the future; where actors adapt to new market realities and autonomously assume new roles.

The five main steps of value chain development, which correspond to each chapter in the guide, are:

Figure 4: The value chain development cycle



These are described sequentially below. However, it is important to note that in practice these steps are not necessarily consecutive. They often overlap, are reiterative, and can sometimes be skipped.

Sector and value chain selection

The first step involves selecting the sectors and value chains in which the project will intervene. This selection is driven by the objectives that the initiative aims to achieve, creating clear criteria that the sector and value chain must meet. For the ILO, the primary objective is to promote more and better jobs for men and for women, so sectors should primarily be chosen based on their potential to achieve this objective.

Market system research and analysis

Once the sector and value chain have been selected, market system research and analysis is carried out in order to identify opportunities for improving, as well as constraints affecting, the selected value chain. This information may be obtained through a range of methods, including use of secondary research, interviews, focus group discussions and surveys. The analysis should identify the underlying causes of the target group's inability to improve its own performance in the value chain and propose a vision for how the market system needs to change in order to generate sustainable improvements for that group.

Pilot intervention design

The results derived from the market system analysis are then used to inform the design of pilot interventions. There are no one-size-fits-all approaches to successful value chain development. Tailor-made interventions need to be designed around the local market context, the constraints and opportunities identified. These interventions should seek to remedy causes of value chain underperformance and improve the participation of, and benefits to, target groups. Interventions can involve stimulating new 'business models' or other 'innovations', such as changes in roles and practices. These changes should make use of the incentives and capacities of market actors.

For instance, in a given situation where the local workforce lacks the skills to work in the construction sector and where companies are in need of a more qualified workforce, an innovation can be the improvement of training curricula through dialogue between the private sector and a Vocational and Educational Training Centre (VET), or the piloting of an on-the-job training model that seeks to improve the skills of graduates, while enhancing the availability of qualified workers.

The overall aim of the intervention design phase is thus to create a clear vision of how the market system changes will occur, with the ultimate goal of bringing more and better jobs to the target group.

Implementation

The implementer should act as a facilitator who stimulates market actors to bring about changes in the system, without actually becoming an actor in it. To achieve sustainable outcomes, interventions should aim to encourage the introduction of business models and innovations, so that partners in the private or public sector are themselves taking the lead. Initiatives should also promote successful solutions among a wider

range of relevant market actors and support new business models and innovations to be replicated and accommodated by the market system.

Monitoring and results measurement

A good monitoring and results measurement system, based on the Donor Committee for Enterprise Development Standard for Results Measurement (DCED),[3] is recommended in order to measure the effectiveness of interventions and clarify what is, or is not working. This will inform decision-making and learning, as well as providing accountability to funders.

Suggestions for programme management: building a value chain development team

Putting together a project team before initiating core activities is essential to the success of any value chain development initiative. In principle, the structure of a team should involve the following roles:

a. **Team leader:** responsible for leading the team and with strong experience in value chain development.

b. **Core team:** this includes 2-5 persons who will be responsible for conducting project activities, including interviews and workshops; collecting relevant information; engaging with local partners and facilitating solutions for value chain development.

c. **Support team:** the role of this team is to provide knowledge and advice on the target sector(s) in which a project aims to intervene, as well as the local environment and any gender considerations. This team may also be useful to facilitate contact with local stakeholders. The support team will not always be involved in all team meetings and activities, but its presence may be required when its knowledge and skills are needed.

Staff competencies and skills

In order of priority, skills should be built around the following key areas:

- The project's role as facilitator, relating to and communicating with public and private sector market actors, interviewing, negotiation and deal-making skills (the entire team).
- Research, analysis, intervention design and implementation for the development of value chains and their market systems (the entire team).
- Gender mainstreaming in private sector development, not just in terms of principles and policies, but with a practical focus on development of value chains and their market systems, in a way that supports greater gender equality (for the entire team).
- Monitoring and Results Measurement (MRM): with an emphasis on the collection and use of data/information for decision-making and adaptive management (also for the entire team with advanced training for the manager of MRM).

3. See http://www.enterprise-development.org/page/measuring-results

Recruitment of trained and experienced staff is ideal; nevertheless, when this is not the case, capacity building and training are options from which the team should benefit. This would need to:

- happen as early as possible, so as to benefit from new capacity from the start and avoid unnecessary errors and missteps;
- be formal, administered through workshops and courses, as well as through on-the-job training;
- be inclusive of the entire team, unless it concerns skills relevant to specific interventions;
- be continuous; when interventions progress, new skills will be needed, particularly in the constantly evolving field of value chain development.

Projects often make use of external consultants for research or implementation tasks. Such consultants should be included in training, especially on the overall approach and gender mainstreaming. Failure to do so could result in unusable reports, spoiled relationships with market actors and even ineffective interventions due to misconception of the project's goals or approach.

Finally, beware of fully outsourcing sector selection to consultants: the project team that will implement the interventions should take the lead, as this period is critical to generate initial understanding of the value chain and relationships with actors.

Training offer: ITC-ILO market facilitation course (3 days) and value chain development course (5 days)

Structure of the guide

The guide has five chapters, one for each of the phases of the value chain development cycle, as described above: 1) Sector and value chain selection; 2) Market system research and analysis; 3) Intervention design; 4) Implementation; 5) Monitoring and results measurement. The reader's position in the guide is indicated by a diagram in each chapter.

Each chapter includes a definition of its objective and key principles which define the ILO's approach to that chapter. After the objective and key principles, each chapter includes a section describing how to put that phase of the cycle into operation, and provides indicative steps for practitioners to follow. These are based on practical experiences of value chain development initiatives. They are not meant to be prescriptive. Projects should adapt them to their own requirements and circumstances. Each chapter makes use of examples drawn from a range of real project experiences.

Recommendations and implications for programme management are included towards the end of each chapter. These suggestions should provide guidance for programme managers and practitioners on issues related to setting up a core project team and engaging with possible partners and facilitators.

At the end of each chapter, suggestions for further reading are included. This has been limited to publications that will support projects in implementing the value chain development cycle, as recommended in the guide.

Further reading:

DCED. June 2012. *Green value chains to promote green growth.* Available at: http://www.enterprise-development.org/page/download?id=1926 [17 Oct. 2015].

Engineers without Borders Canada. 2011. *Being a market facilitator; a guide to staff roles and responsibilities,* ACDI/VOCA, USAID. Available at: https://www.microlinks.org/library/being-market-facilitator-guide-staff-roles-and-capacities [17 Oct. 2015].

International Labour Office (ILO). Forthcoming. *Green value chain development for decent work guide: A guidebook for development practitioners, government and private sector initiatives.*

Jones. 2012; Merkel. 2014. www.ilo.org; ILO. 2015. *Gender equality.* Available at: http://www.ilo.org/global/topics/equality-and-discrimination/gender-equality/lang--en/index.htm [17 Oct. 2015].

Mayoux, L.; Mackie, G. 2008. *A practical guide to mainstreaming gender analysis in value chain development* (Addis Ababa, ILO).

Sievers, M.; Núñez, D. 2011. *ILO Value chain development portfolio analysis: A stocktaking of ILO value chain related activities* (Geneva, ILO).

Stamm, A.; Von Drachenfels, C. 2011. *Value chain development: Approaches and activities by seven UN agencies and opportunities for interagency cooperation* (Geneva, ILO).

The Springfield Centre. 2014. *The operational guide for the making markets work for the poor (M4P) approach, 2nd edition funded by* SDC & DFID.

1. Selecting sectors and value chains with the greatest potential for decent work creation

1.1 Objectives

Selecting a sector and value chain to be developed

Value chain development begins with the selection of a specific value chain within a sector. The objective is to choose one or more value chains whose development would meet the goal of the project. Defining selection criteria based on this goal is an essential first step that will affect the project from beginning to end. For the ILO, a focus on high-growth and labour-intensive sectors that can create decent and profitable jobs accessible to the poor, including women and vulnerable groups, is particularly important. No matter who the target is, the selected sector and value chain(s) should be determined through an investigative process.

Box 1. How focused should sector selection be?

Selection usually starts by considering broad sectors, but it should end with the choice of a specific value chain. For instance, a project may start by considering the tourism sector, but eventually zoom in on the specific value chain of rural tourism.

Nevertheless, while value chain development initiatives may typically start by targeting a specific value chain in question, a project may eventually focus on a supporting function or rule that cuts across several value chains. For example, the analysis of the maize value chain may determine that the supporting function of "inputs" is weak. As inputs are used in all agricultural value chains, working to improve the input supply function may well benefit several agricultural value chains beyond maize. The same may apply for supporting functions like "media" or even "land" or "labour" (more on this later in the guide).

Value chains have a geographical dimension that may also be more or less narrow. An agricultural value chain, for instance, may be limited to a specific part of a country, for reasons of climate or soil type. Selecting a value chain, therefore, often means selecting an area. Conversely, a project's area of operation may be predefined, thereby limiting value chain choice. Here too, however, we often see that a project will need to intervene outside a specific geographic area in order to address the constraints of the value chain in question, as well as to deliver a greater scale of impact.

1.2 Key principles

Selecting for decent work

The potential to create more and better jobs for the target group is a key selection criterion in this process. One issue that needs careful consideration is whether to select a value chain because job quality is low, with the intention of addressing it, or to avoid value chains precisely because job quality is low. This is a double-edged sword: if job quality interventions have little or no effect, but other interventions do, the impact may be more low quality jobs; but if work can be made more decent, this may contribute to growth in employment and incomes.

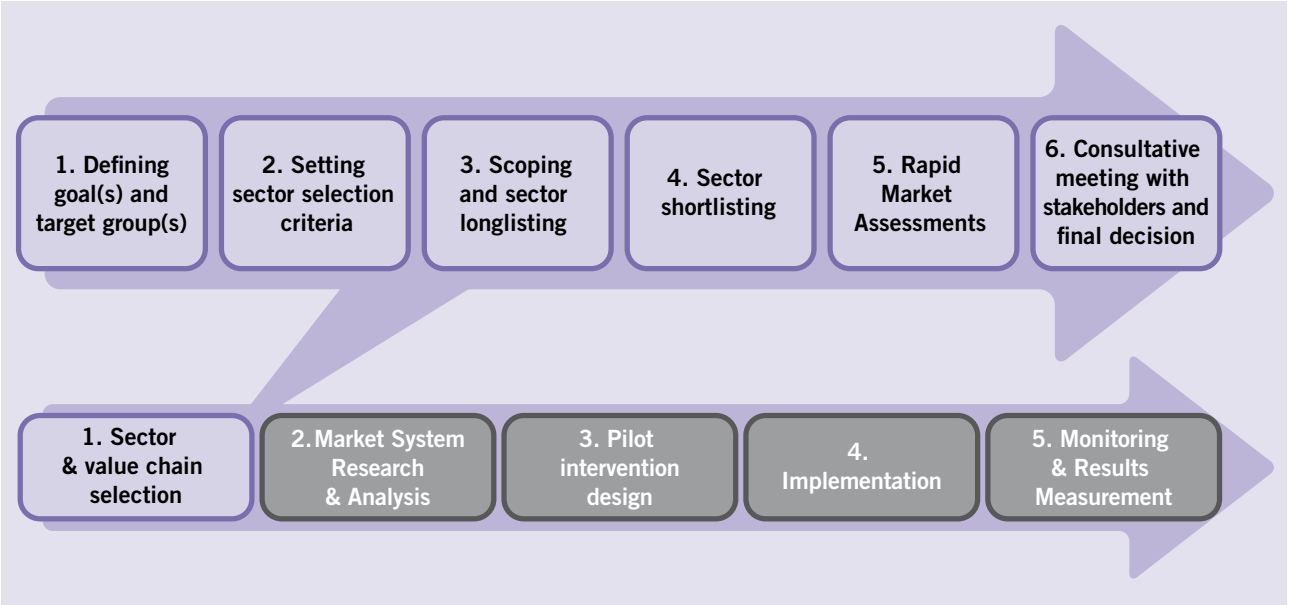
In this manual we propose a practical approach. If decent work deficits exist in sectors, projects should assess to what extent it is feasible to address these. If low job quality is thought to be one of the causes of underperformance of the value chain, it may be possible to include these issues in interventions. For example, if accident and injury rates on construction sites are inhibiting the performance of small contractors, addressing them is likely to lead to growth and working condition improvements. If business outcomes are not so directly linked to job quality, projects can explore the possibility of launching complementary interventions. For instance, if child labour is endemic and socially and culturally accepted, the risk that improving performance will draw more children into work is likely to be high. Value chain development would have to be complemented by other measures to avoid this. Integrating an initiative into a programme to eliminate child labour would provide such measures.

Finally, if complementary initiatives are not possible, then projects should employ a 'do no harm' approach, and seek to integrate metrics into their monitoring plans to examine what effect market development is having on the decency of work.[4]

1.3 The process

Priority sectors are often predefined in national development frameworks. Although initiatives should consider such priorities, not all sectors will necessarily enable a project to reach its long-term poverty reduction and decent work potential. For this reason, a period for investigative research is needed to determine which sectors are in fact suited to the project. The sections below provide guidance on what steps to take. The figure below provides an overview of key steps in this process.

Figure 5: Key steps in sector and value chain selection



4. See ILO SEED and IPEC 2004

Step 1: Defining goal(s) and target group(s)

Description:	A value chain initiative needs to be clear about its goal: who is the target group and what does it want to achieve? This is usually done before a project or initiative is funded, through consultations between the ILO, the government, a donor and possibly other stakeholders. The more specifically the target group can be defined, the easier it is to "match" a value chain to it. It is not very helpful to say that "the poor" are the target group, since they do not form a homogeneous group. They include the "extreme" and the "moderate" poor, the urban and rural poor, poor groups who are excluded due to their ethnicity or other characteristics that make them more vulnerable, and poor women and poor men. The same diversity exists among "the unemployed", where, for instance, the differences between youth and more mature citizens can be of particular importance. In general, the overall goal of the ILO in value chain development is clear: large- scale facilitation of decent work and poverty reduction for women and men. Other objectives may include improved food security, increased resilience, or disaster risk reduction. All such objectives need to be made explicit and clearly defined upfront in a project's goal statement.
To keep in mind:	• Regardless of whether or not women are explicitly specified as the target group, the gender dimension should be taken into account in all cases. If one of the objectives of the project is to benefit a specific number of women, then selecting a sector that contains a high presence of women is essential. Construction, for example, is a sector that in many countries is dominated by men, and improving it is unlikely to benefit women, since women rarely work on this sector. • When formulating a project's goal, avoid complex wording that explains how it will be reached ("by", "through"). State what is to be achieved only for the target group(s). For instance, "more and better jobs for women and men". • Changing or adding objectives or target groups half-way through a project due to new donor or government priorities is not uncommon. This leads to the selection of value chains that may turn out to be inappropriate or a waste of resources and may also cause confusion among market actors. Resist this insofar as possible. • The ILO and many donors tend to overload projects with a wish list of things to be achieved. It is unrealistic to expect that a value chain development initiative can serve everyone's priorities, ranging from quality jobs to peace-building. Keep the goal and target group focused, limit the number of selection criteria and make a clear distinction between "must-haves" and others.
Useful tools and resources:	• Project document (containing project objectives, logical framework and impact indicators) • Donor requirements as specified in a donor agreement • Programme mandates • Government policies

Step 2: Setting sector and value chain selection criteria

Description:	The criteria for sector and value chain selection should flow directly from the definition of the target group and goal, as the value chain should be relevant to the former and have potential to achieve the latter. While criteria are project-specific, essential criteria common to all projects include: • *Relevance to the target group:* presence of the target group in the value chain, and/or the potential for their (greater) inclusion. • *Opportunity to create decent work:* opportunities to create more and better jobs and reduce poverty for the target group (with no additional threats to existing employment). • *Feasibility to intervene:* the extent to which it is likely to be feasible for a project to facilitate market systems change (see Box 2 for more on this criterion). Other criteria commonly used include: • The extent to which the value chain is a driver of broader growth, e.g. through backward and forward linkages in the economy, or the use of supporting services. • Presence of market actors who are likely to be willing and able to play a role in developing the value chain. • "Space" in terms of not too many other development projects working within the value chain already. • Opportunity to facilitate green jobs and economic growth.
To keep in mind:	As mentioned in Step 1, gender, as a cross-cutting issue, should always be mainstreamed in the sector selection process by considering the criteria for women and men separately and disaggregating data by sex (see Example 1). With regard to the feasibility criterion, experience indicates that value chain development can benefit women by: • furthering their inclusion in value chains in which they have a strong presence already, and in which it is socially and culturally acceptable, i.e. in accordance with existing gender roles. • developing value chains in new sectors, where gender roles may not yet be clearly defined and women taking on new kinds of work may prove socially acceptable. • changing gender roles so that women can enter value chains in which they are not traditionally present. The last option is the most challenging. It will take more time and resources, and the scale of impact may be limited in the short and medium term. It can also be seen as intrusive by stakeholders and market actors and result in conflicts. Selecting value chains where there is no need to change gender roles as a cause of women or men's exclusion is therefore a more obvious choice for most projects. However, where gender roles are changing already, independently from a project, this may offer a good opportunity to contribute to such change and achieve scale of impact at the same time.
Useful tools and resources:	• Sector selection criteria (see Annex 1 for an example) • Project document: project goal(s), target group(s) and indicators should help define sector selection criteria

Example 1. Considering gender issues as part of the sector selection

The goal of the Swiss Agency for Development and Cooperation (SDC)/Mercy Corps Market Alliances Against Poverty programme in South Georgia is to generate increased household incomes for the rural poor. While this does not make reference to women separately, increasing gender equality is one of the project's cross-cutting themes. Based on a prior feasibility study, SDC selected the livestock sector for its potential to increase the economic participation of poor women and men. Subsequently, the programme homed in on the dairy and meat value chains, the first due to the high direct participation of, and therefore relevance to women.

Box 2. Can we make a difference? What is feasible?

Feasibility takes into account not just the value chains being considered, but also a project's own resources and influence – what is feasible for one project may not be so for another. Feasibility is therefore situation-specific. Examples of factors that could reduce the likelihood of a development initiative being successful are:

- **A high level of fragmentation** – if linkages between actors in the value chain are weak, and different actors, including business membership organizations and relevant government institutions, are at odds with each other, the scope for successful interventions is limited.
- **A high level of corruption within the sector** – for instance, when a construction sector is dominated by a few large companies that win all government tenders through political contacts and kickbacks.
- **A high level of political or government interference** – for instance, a project to improve agricultural value chains by developing the private sector market for inputs is unlikely to succeed if the government has launched a large subsidized programme to win votes.
- **Domination of the value chain by the public sector** – existing public enterprises often receive subsidies, thus delaying the development of competitive, private-led value chains.
- **Constraints in the market system's supporting functions, or rules that are difficult to change** – for instance, if a value chain's main constraint for development is the absence of proper infrastructure such as roads or ports, change might require large-scale infrastructure investments that go beyond the capacity of the project to change in due time.

This could be beyond the scope of most programmes. Vested interests, for example when an ineffective government extension service resists development of private sector services, may also be too powerful to tackle.

Step 3: Scoping and sector longlisting

Description:	• At this point, the programme should start studying the local economy and its most relevant economic sectors or value chains. From this process, a longlist of value chains (more than 6) can be developed, based on the revision of secondary sources as a first step. • In cases where secondary information is scarce or unreliable, there are two options: a) Conduct one or several consultative workshops with key stakeholders to help come up with a longlist of relevant value chains. b) Conduct a Rapid Market Assessment (RMA) of the local economy. This option consists of assessing a local economy to find out which available sectors exist in the target region, and which of them are likely to fulfil the sector selection criteria. This option offers the possibility of producing a shortlist of sectors which includes 3-6 value chains (see Step 5 for more on RMAs).
To keep in mind:	An RMA may be conducted for a local economy as a whole, or for specific sectors or value chains. The difference in market actors to be consulted will depend on who has the necessary information. For instance, to assess a local economy, you might want to consult multisector chambers of commerce, rather than specific sectorial chambers of commerce. However, when assessing a specific sector or value chain, such as carpets, it might be more informative to directly consult an association for carpets or handicraft producers.
Useful tools and resources:	• Possible sources of information (see Box 3)

Box 3. Possible sources of information

The following stakeholders are usually good sources of information:

- National or regional chambers of commerce, trade and industry, other multisector business membership organizations, and those specific to sectors under consideration or target groups.
- Workers' unions and representative organizations (e.g. women's entrepreneur associations).
- Government ministries and departments (e.g. ministries of labour, trade, industries and agriculture) and local authorities in the target region (e.g. department responsible for business registration).
- Statistical units of central banks and ministries of finance, national census departments/bureaux and statistical institutes.
- Public-Private Partnership/Dialogue forums which meet regularly to discuss issues related to private sector development, and in which various market actors and stakeholders from different sectors are represented, including those representing women entrepreneurs.
- Country-specific economic information from international organizations, such as the World Trade Organization, World Bank, International Monetary Fund, Food and Agriculture Organization, International Trade Centre and Non-Governmental Organizations (NGO).
- Key market actors in the sectors or target regions under consideration.
- Donor-funded projects and programmes: ask if other agencies have done the same or similar value chain analyses of the sector you are focusing on. This helps to avoid duplication and can be a valuable source of information.
- Research institutes such as think tanks and universities.

Step 4: Sector shortlisting

Description:	Once a longlist is compiled, the number of potential sectors should be further refined, ideally to no more than six value chains. This can be done using the sector selection criteria to exclude or include some of the longlisted sectors. Assuming sufficient information is available on each sector at this point, it is possible to rely on this information, although often this is not the case for all the criteria. However, the available information can be useful to exclude or include sectors or value chains. This exercise is usually done by the project team.
To keep in mind:	This shortlisting step may be skipped if a shortlist of sectors has been reached by conducting an RMA of the local economy (when there is insufficient information available) or from the consultative workshops with stakeholders.
Useful tools or resources:	• Sector selection criteria (see Annex 1 for an example) • Scoring matrix to help compare sectors or value chains against sector selection criteria (See Annex 2)

Step 5: Rapid Market Assessment of shortlisted sectors

Description:	The purpose of an RMA is to acquire sufficient information about the sector or value chain to make a well-informed recommendation on the potential of each sector to lead to the desired goal(s) of the project. Key questions for each criterion should guide the research, making use of secondary sources, interviews and group discussions with a wide range of market actors, including the target group. Developing a semi-structured set of questions for use in interviews and group discussions will help to ensure that information collected is relevant and consistent. RMAs are typically conducted against a shortlist of sectors using the sector selection criteria, with the purpose of evaluating which sectors fulfil such criteria. However, depending on the needs of the project and the availability of information, an RMA may also be applied to a local economy, to arrive at a long or shortlist of sectors when there is no previous information available through secondary sources of information (described in Step 3). The final outcome of this assessment will be an informed recommendation for stakeholders on the sectors/value chains with the largest potential for advancing project goals. Overall, an RMA takes place in three stages: 1. Further revision of secondary sources and preparation of visits. 2. Visits to relevant market actors and other key informants: interviews, conversations, focus group discussions, questionnaires, among others. 3. Analysis of findings: the results of the RMA should be assessed against the selection criteria, either through in-depth discussions with the project team or through a formal scoring process. Since the opportunity for, and feasibility of change are usually among the criteria, an initial identification of constraints on the performance of the value chain in relation to target groups is included. This does not aim at the same depth as the later value chain analysis, but it helps to indicate potential areas for further focus. These could be as general as 'skills mismatch', 'inadequate flow of information in the value chain', 'absence of legislation and services on food safety', or 'poor working conditions'.

To keep in mind:	• RMAs, as with all research, run the risk of trying to be comprehensive and to collect too much information. This is not the intention. Limit the research to the minimum required to broadly justify the value chains selected, i.e. to questions pertaining to the criteria. • Some projects use the suggested scoring system to select final sectors or value chains, giving different weights to the criteria to reflect their importance in relation to the target group(s) and the project's goal(s). However, as we will see in the case study at the end of this chapter (section 1.4), this is not always practical or possible. • Sector selection often remains a subjective, politically charged process (with the existence of vested interests and stakeholder pressures), despite a project's best efforts to bring in a degree of objectivity. Even in the best cases, sector selection is never 'scientific', so be wary of placing too much emphasis on weighting or quantifying criteria. Simple binary scoring, as in the BOSS example (section 1.4), or traffic light rating, can be most useful in practice. In the words of another project: 'for us the most important thing is… the process: how to select the right actors to talk with, how to find the right data, how to interpret the opinion and inputs of stakeholders. That is more important than the techniques of setting criteria, scoring and weighting'.
Useful tools and resources:	• Sector selection criteria (see Annex 1 for an example) • Possible sources of information (see Box 3) • Scoring matrix to help compare sectors or value chains against sector selection criteria (See Annex 2)

Step 6: Consultative meeting(s) with stakeholders and final decision

Description:	The next step is the final selection of the value chain(s). This is best done with the help of one or more meetings to consult with groups of stakeholders, including development projects or agencies. This increases ownership over the findings and final decision can correct oversights or errors in the findings, and contributes to consensus building. Meetings should include presentation of the RMA findings and should also be used to validate the initial identification of constraints or intervention areas. Discussion can then lead to a majority of participants recommending one or more value chains to the project team. It is risky to involve individual enterprises in this meeting. This creates expectations of support, and can even lead to accusations of favouritism or unfair competition. Of course, enterprises from the value chains themselves also have an interest in "their" sector being selected. However, private actors such as representative associations can play an important role in the validation of findings, as they can speak for a number of enterprises, though issues of bias and favouritism should still be borne in mind. In all cases, someone should be invited with expertise relevant to women in business, e.g. a representative of a women's business association, a women's organization or an expert. While consultative meetings and other consultations are essential, the final selection should be done by the ILO project, together with its government partner (or another recognized body such as a public-private dialogue forum).

To keep in mind:	• Selecting a value chain using stakeholder meetings is a participatory, but not a democratic, process. Such participants are hand-picked, and some of those selected may not attend. Meetings also run the risk of some vocal and powerful stakeholders imposing their agenda. It is therefore important to make clear that final decisions are not being made at stakeholder meetings, unless, as in the BOSS example, they are a formal forum or other body. • Often, projects have multiple goals and target groups to reach, hence it is recommended that projects include a portfolio of more than one sector or value chain, wherein some will meet a set of goals and target groups, and others will meet a second set of goals and target groups. In these cases, selecting more than one value chain might make more sense.
Useful tools and resources:	A sector selection workshop in the form of a consultative meeting with key stakeholders

1.4 Selecting for decent work: a case study

Value chain selection in the Business Opportunities and Support Services (BOSS) project in East Timor

The ILO's Business Opportunities and Support Services (BOSS) project in Timor-Leste, funded by Irish Aid and New Zealand Aid, aimed at "contributing to the generation of pro-poor economic development and quality employment for women and men by spurring the growth of micro and small enterprises (MSEs)." It specifically set out to develop value chains in rural districts where the market was very thin, i.e. production levels were low and market actors few and far between.

To select sectors, BOSS organized workshops with stakeholders in the three districts, liaising closely with the National Directorate of Rural Economic Development (NDRED) as the key government partner. A longlist of 6 to 9 sectors was identified per district. These were assessed against criteria based on the project's target groups and objectives, including three relating to decent work, gender equality and the environment:

Criteria 1: Poverty reduction potential (outreach)
*Significant number of people involved in the sector (men/women)
Significant number of young people (15 – 29) in the sector
Poverty incidence of people in the sector
*Is it the main income source or side income?
Criteria 2: Pro-poor growth potential
*Growth trends in income and employment (domestic/export) in the past 5 years
*Growth potential in income and employment in the next 5 years
*Import substitution potential
Total area of production
*Geographic preconditions (climate, soil, natural resources etc.)
*Accessibility to markets (roads)
Potential for measurable impact on MSEs/the poor within 4 years

Criteria 3: BOSS intervention potential (feasibility)
Government intervention in the sector
*Potential for collaboration with larger companies
*Existence of local business people interested in investing in the sector (a "winner")
*Potential for synergies with other donors in other districts/low incidence of donors with conflicting approaches
Other issues
*Potential for reducing environmental impact and/or having positive impact on the environment
*Is the growth of the sector likely to result in more child labour?
*Is growth in the sector likely to impact negatively on women in any way?

Research on the list of sectors drew on a variety of secondary sources and consultation with government, private, non-government entities, and other donor programmes at national level. In the districts, the project interviewed key informants from the different sectors and members of the target group. NDRED and the project analysed the information and developed a scoring matrix for each district. Numeric scoring proved difficult and instead 'yes' and 'no' were used for each indicator.

The results were discussed with District Economic Forums that NDRED had set up with project support, after the forums had done their own scoring against a simplified set of criteria (starred in the list). Differences were discussed, after which the forums unanimously selected two sectors per district. The multi-stakeholder nature of the forums ensured a broad base for the validation of findings and final selection. The unanimity of the forums' decision was a good indication that the value chains selected were appropriate and ownership in the Districts would be strong. The inclusion of 'other issues' was important, so as to ensure that 'no harm' would be done with respect to child labour and gender equality.[5]

1.5 Management considerations for sector and value chain selection

The research that is the basis for sector selection is best done by the project team, experienced consultants, or a mix of these. It could also include staff of government stakeholders or business development organizations that can be expected not to have a vested interest in the selection of a specific sector. Including private market actors from the sectors would bias the process. Once sectors for further assessment are known (shortlisted), it can be useful to hire consultants with sectorial expertise.

In many societies, women may feel more comfortable, and might only participate in interviews, if and when interviewed by other women. Since RMAs usually involve conducting focus group discussions with women, it might prove useful to have female project staff, or female facilitators to call in order to conduct such exercises.

Research for sector selection is the start of developing relations with market actors who may become crucial to the value chain development initiative. Make use of this opportunity, and ensure that such relations get off to a good start. Researchers need

5 BOSS. 2011a; Schoen and Mousaco 2013

to be trained, especially in how to approach private sector actors, and must avoid raising unrealistic expectations of what the project might eventually support. In the words of one practitioner, "once we started analysing and talking to actors and other stakeholders in the tea sector, we could not withdraw anymore because of expectations raised". Do not make the same mistake! When engaging market actors during sector selection processes, inform them clearly that the meetings are for the purpose of making decisions on project design, and that the project is not yet in a position to state what it will do, or what it can commit to.

Further reading on sector and value chain selection:

Vredeveld, T.; Scheemann, J.; Fair & Sustainable Advisory Services. 2015. *Guidelines for value chain selection: integrating economic, environmental, social and institutional criteria.* (Eschborn, Deutsche Gesellschaft für Internationale Zusammenarbeit on behalf of the German Federal Ministry for Economic Cooperation and Development and the International Labour Organization)

Chapter annex

Annex 1. Sector selection criteria, RMA template - Example of Road to Jobs project in Afghanistan

Executive summary

Please provide a short summary of the key findings of the RMA.

A) RELEVANCE TO TARGET GROUPS

This should set out the overall relevance of the sector to target groups and their employment situation.

Criterion 1: Number of target group members active in the sector

- What is the estimated number of poor and migrant women and men engaged in the sector (disaggregated if possible)?
- What is the geographic location/concentration of poor and migrant women and men who are working in the sector?

Criterion 2: Nature of the target group's participation in the sector

- How do poor and migrant women and men participate in the sector (producers, employees)?
- How important are the incomes of poor and migrant women and men derived from this sector vis-à-vis overall livelihood strategies?
- Are there any noticeable trends with respect to the roles (e.g. a movement from lower to higher value-added activities), risks (e.g. exposure to volatile farm-gate price movements), and benefits (e.g. incomes) for poor and migrant women and men in this sector?

Criterion 3: Decent work deficits faced by target groups in the sector

- In which type of enterprise do the majority of poor and migrant women and men work?
- What issues do target groups face with regards to low remuneration (wages, incomes from self-employment), working time (either un- or under-employment), and working conditions (physical conditions and mental demands in the workplace)?
- Are there particular gaps or inequalities in labour market outcomes for women or migrant workers?
- Are there risks that sector growth would increase decent work deficits, in particular child labour, bonded labour, gender inequality, or exploitative relationships?

B) OPPORTUNITY FOR GROWTH

This should set out how the sector is likely to grow – or not – in the future, based on past performance and future forecasts.

Criterion 4: Likelihood of sector growth

- What are the type of enterprises (from micro to multinational) engaged in the sector?
- What is the overall size of the sector with respect to volume and value of output, GDP contribution, foreign direct investment, exports and employment share?
- What is the previous (past 5 years) and forecast (next 5 years) growth trajectory of the sector?
- What are the current levels of innovation, productivity and competitiveness and/or collaboration in the sector?

Criterion 5: Scope for improving target group employment in the sector

- What is the job creation potential based on the investment potential and the labour intensity of the sector?
- Are new jobs being created likely to be accessible for target groups (based on whether they are unskilled, semi-skilled or skilled)?

C) FEASIBILITY TO STIMULATE MARKET SYSTEMS CHANGE

This should set out the feasibility to stimulate changes in the sector, based on the current levels of incentives and capacities of public and private actors to take on board new ideas, innovations and ways of working.

Criterion 6: Capacity of market actors

- Which organizations (private/public) have a good track record of innovating and investing in this sector?
- What significant investments have recently been made, or are planned for the near future?

Criterion 7: Willingness of market actors to change

- Are there clear incentives (social, economic) for market actors to take on board new ways of working?
- Are there available scale agents – e.g. government ministries, sectorial or business associations – that could be leveraged? How are these organizations currently perceived by their members/clients?

Criterion 8: Likelihood of distortion

- Which donor programmes are present, where, and what are they doing/funding?
- Are there any existing sectorial programmes or initiatives with similar objectives in the sector?
- Do they present opportunities for collaboration, or would they be a "threat"?

Annex 2: Weighted decision matrix (Example of SCORE project in Peru)

	Weight (1-3)	Score	Weighted Score	Score	Weighted Score	Score	Weighted Score
1. Sector relevance							
Criterion 1: Number of target group members active in the sector							
Criterion 2: Nature of the poor's participation in the sector							
Criterion 3: Involvement of disadvantaged groups							
Criterion 4: Composition of enterprises							
2. Opportunity for inclusive growth							
Criterion 5: Sector growth							
Criterion 6: Prospects for productivity and working conditions improvements							
3. Feasibility to stimulate change							
Criterion 7: Availability of market actors							
Criterion 8: Conduciveness of political economy							
Criterion 9: Willingness of market actors to change							
Criterion 10: Likelihood of distortion							
TOTAL			**0**		**0**		**0**

2. Market systems research and analysis: identifying the key constraints to decent work

To be able to intervene successfully in a market system, it is crucial to understand how it works. This chapter will describe the objectives and process for researching and analysing market systems. It will begin by clarifying the objectives of market systems research and analysis, and then go on to outline the key steps for each process, and highlight key considerations at each stage. An example of the whole process in practice is then provided. It will end by highlighting key management considerations.

The chapter assumes a basic understanding of market systems and value chain development concepts. If further detail is required, please refer back to the introductory chapter and the recommended further reading.

2.1 Objectives

The key objectives of markets systems research and analysis are to:

Identify underlying causes of the market system's underperformance

Initial research results in identification of low performance areas for the value chain, supporting functions and rules of the market system. To intervene successfully and sustainably, the project needs to identify the underlying causes of this low performance. For example, if we find that lack of information about farming techniques is reducing agricultural yields, we should not stop our enquiry there. We need to identify the underlying causes of this lack of information by asking 'why can't farmers access the information they need to increase productivity?' 'Why?' is the most important question in market systems research and analysis. Asking it shines a light on the ways in which market systems are interconnected (see section below for an example).

Furthermore, the research should identify the extent to which target groups are able to participate in, and benefit from, the market system, by understanding the barriers that hinder their inclusion.

Identify the key actors in the market system, how they are linked and organized

Drawing up a clear picture of the key actors in the value chain and the broader market system, as well as the linkages between them, is crucial to guide subsequent analysis of areas of low performance, and the underlying causes of this low performance.

Understand incentives and capacities of market actors to contribute to a solution

Incentives are the reasons that market actors do what they do. The most powerful incentive in the private sector is usually profit (the 'bottom line'), but incentives also include reputational concern, winning votes from the electorate, a sense of obligation to certain groups, fulfilling an organization's mandate, or social and environmental responsibility.

Understanding what drives behaviour helps to identify why market actors are not performing certain functions or rules effectively. But even if incentives are present, market actors may not have the capacity to act on them. Knowledge of both market actor incentives and capacities is required for projects to explain why constraints exist, and therefore why the target groups have been unable to take advantage of value chain opportunities open to others. This is another important factor in understanding market systems and designing interventions.

Identify opportunities for lasting change

Change occurs not only by solving problems, but also by exploiting opportunities. A credible vision for how the market system will continue to work better for target groups after the project has ended should indicate which market system shortcomings are to be resolved, and how value chain opportunities, once denied or distant, are forecast to be within the target group's reach.

Prioritize the underlying causes that project interventions will address

The research should select a limited number of underlying causes of the target group's low performance in the value chain that the project will address. These must be feasible and should aim to maximize the scale and sustainability of impact.

2.2 Key principles

Identifying the underlying causes of a market system's underperformance

When analysing the causes of the target group's underperformance in market systems, we often find that a key rule or supporting function is absent or ineffective. However, the research should not stop there, but should aim to identify why it is absent or ineffective. It is then necessary to analyse **supporting market systems**, to identify the **underlying causes** of a market system's underperformance. To provide an introduction to this process, the following section will present an example of the diagnostic process from the construction sector. For more detailed guidance, please refer to the subsequent sections which provide a step-by-step description of the process of market systems research and analysis.

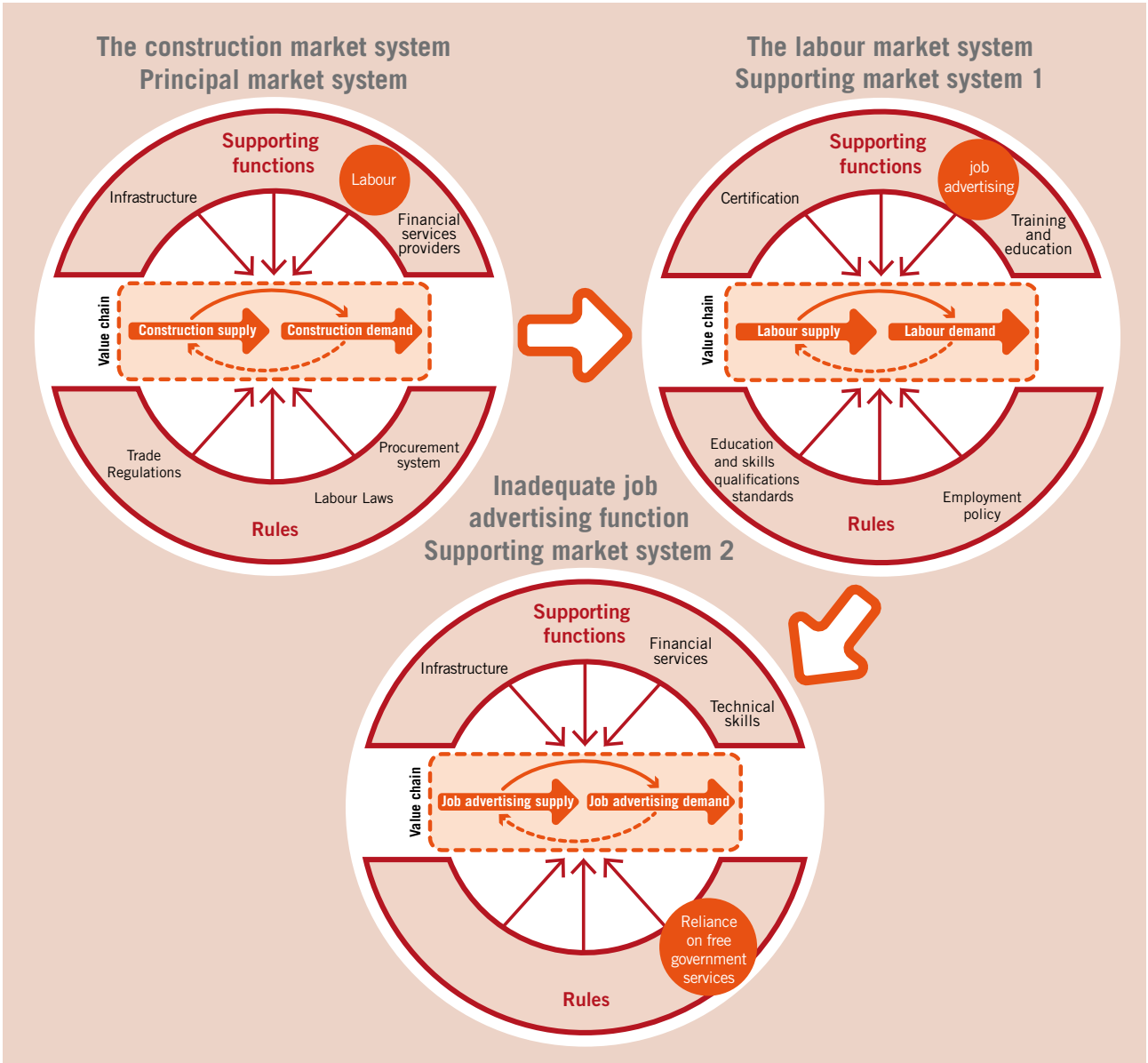
Research on the construction value chain showed that one of the main constraints for construction companies to grow is a lack of skilled workers. With this information, it is possible to link the constraint to the supporting function of labour, as depicted in the principle market system in the figure below. To understand why the labour supporting function is underperforming, in the sense that there is not a sufficient supply of skilled workers, we need to analyse this function at the core of a market system map with its own supporting functions and rules, as shown in supporting market system 1.

By researching the labour market system **(supporting market system 1)**, the findings showed one of the main constraints to be extremely poor flows of labour market information; specifically, they revealed that job opportunities are not reaching potential skilled employees, who are not aware of these, and hence do not apply for them. By asking why job opportunities are not reaching potential employees, we again need to look at the related supporting function (job advertising) and the market actors that are

currently performing them. In doing this, research found the job advertising function was mismatched. By further analysing the job advertising function **(supporting market system 2)**, it emerged that this was poorly performed by only one public employment agency, which was mostly unstaffed and underfunded, offering free services for both employers and job seekers. Furthermore, the existing private employment agencies rarely focused on the construction sector, as this had been traditionally dominated by the public sector. The private agencies were not aware of the potential economic gains of engaging in this activity (underlying cause).

The project found that reinforcing the public employment agency through collaboration with a private employment agency would increase the effectiveness of the job advertising system, since the private agency would have more technical capacity and economic incentives to perform this function. The diagnostic process is presented in the figure below, which displays how the analysis moves from the target market system to supporting market systems, in order to identify underlying causes.

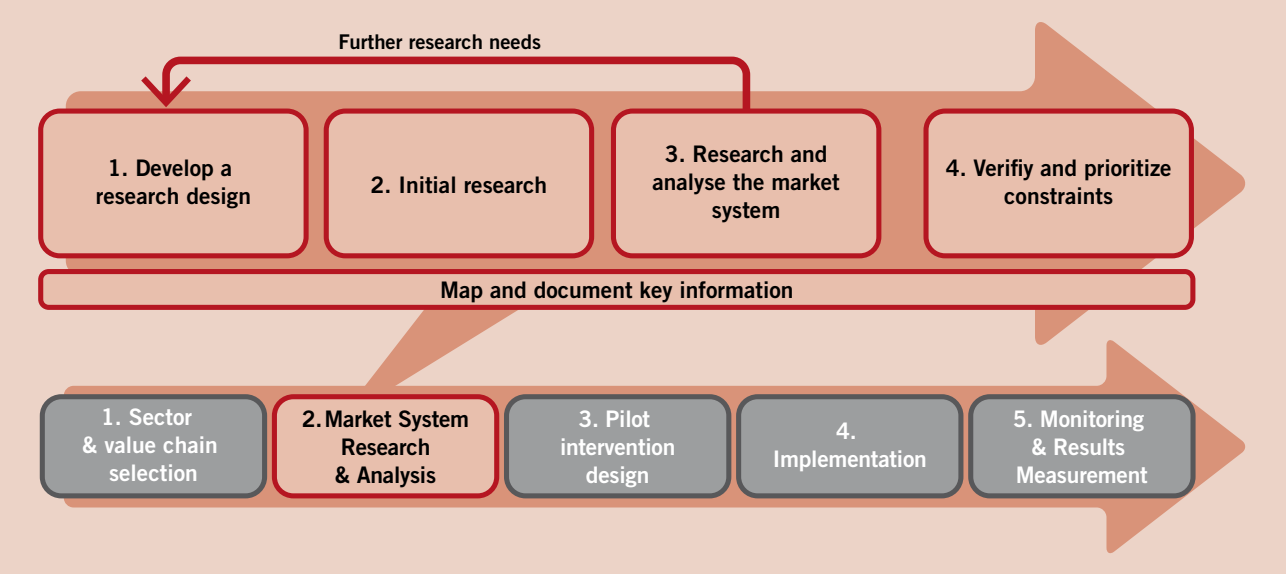
Figure 6. Identifying the underlying causes of constraints: the construction market system



2.3 The process

Figure 7 provides an overview of the process for market systems research and analysis

Figure 7: Market systems research and analysis process



These steps are outlined below. However, it is important to highlight that in reality this is a dynamic and iterative process, which is rarely carried out in discrete steps. In particular:

- Data collection and data analysis often take place in parallel.
- Data analysis will often generate further research questions. For example, it may identify new market actors to research, or it may generate further questions, including gender considerations, which need to be answered in order to identify underlying causes.
- Market system mapping may already have started in the sector and value chain selection process. Development of the map typically continues throughout the research process, and refinement may continue throughout the project.
- The generation of ideas for interventions often starts in the analysis phase, and intervention design may necessitate additional research.

The following steps comprise market systems research and analysis:

Step 1: Develop a research design

Before researching a value chain and its market system, it is important to develop a research design or plan, specifying the objectives, research questions, methods and sources of information.

a) Formulate research questions

This step involves deciding specific issues to be researched and formulating research questions. Broadly, the focus of the research aims to move from analysing 'symptoms' of low performance and constraints to inclusive growth, to identifying 'underlying causes'. Typical generic themes and questions are outlined below. The research team needs to select the most pertinent among these, or any other relevant themes, then adapt the generic questions so that they generate the necessary information about the specific market system being researched. The formulation of research questions may be iterative, with the findings of initial research generating more questions that need answering.

Box 4 'Researching the market system' provides a list of themes and questions that the market systems research may need to cover. These fall under the following themes:

- End markets
- Core value chain actors
- Value addition
- Costs
- Firm-level performance
- Job quality
- Linkages
- Power relationships and value chain governance
- Supporting functions and rules

Box 4: Researching the market system

Description	Questions
End markets	
The existence of a strong market for the products or services sold by the value chain is fundamental to the successful development of the value chain. Beyond confirming the existence of general demand, it may be important to understand past and future trends, high potential market segments and market positioning. End market research is therefore key to identifying viable opportunities for value chain development.	• Are there any signs that indicate future increases in demand? • What criteria have to be fulfilled to satisfy consumers, including those related to environmental or working conditions concerns? • Have there been any changes in consumer trends? • Are there specific quality standards or restrictions? • Are there opportunities to expand from local to national markets, for import substitution or export?

Actors and processes in the value chain	
Before deeper research can take place, it is important to understand the basic structure of the core value chain.	• What categories of market actors – such as farmers, collectors and retailers – are involved from the start of the chain to the end market? • What are the different processes – such as production, processing and marketing – that take place in the value chain, before product and services reach the final consumer? • What are the different market channels through which products and services reach the final customer?
Location of target groups	
It is also important to consider where the project's target groups are located within the value chain. In researching the above issue, it is important to acknowledge that research into target groups may need to be disaggregated. For example, research on 'the poor' may need to disaggregate landless from land-owning poor, rural from urban poor, as well as different levels of income poverty. It is also important to consider the underlying causes of low participation of women and other target groups.	• How many members of target groups – such as women and the poor – are working in particular channels, and at which levels in the value chain? • What are the underlying causes of low participation of target groups in the value chain?
Value addition	
Value addition for target groups is often a key objective for value chain interventions. A simple example would be for farmers to move from growing and selling mangoes, to processing the mangoes into concentrate and selling this at a higher price. Finding out where in the chain the most value is currently created can provide useful information to guide interventions. It may also be useful to focus this analysis on the target groups of the intervention. Furthermore, it is important to consider the underlying causes of low value addition for target groups.	• What proportion of the total value is currently captured by actors at each level in the value chain? • What proportion of the total value is currently captured by target groups – such as women and the poor – at each level in the value chain? • What are the underlying causes of low value addition for target groups, such as women and the poor?

Costs

The competitiveness of individual firms, as well as the value chain as a whole, is affected by costs of key business activities. As such, it may be useful to identify any particularly high costs that are reducing competitiveness. It is important to note, however, that it may not always be feasible to obtain accurate data regarding costs. In particular, enterprises may be reluctant to share this information. Again, we should consider carrying out this analysis separately for the project's target groups. It is also important to consider the underlying causes of the current situation. The answer to this question will typically involve researching rules and supporting functions. Processes for doing this are highlighted below in the relevant sections.	• What are the average costs incurred by businesses at each level of the value chain? • How do the costs for businesses at each level of the value chain compare to those in the value chains of competitors (benchmarking)? • What are the costs for the project's target groups and are these different to the costs for other groups? • What are the underlying causes of any high costs identified?

Firm-level performance

Competitiveness of individual firms and the value chain as a whole is affected by firm-level performance of core business functions, such as marketing, procurement, production and financial management. As such, it can be important to understand the performance of firms at each level of the chain, as well as the causes of this poor performance and the opportunities for improvement. Again, we should consider carrying out this analysis separately for the project's target groups. Equally, it will be important to consider the underlying causes of the current situation.	• How well are businesses at each level performing core business functions? • What are the firm-level causes of low performance? • How well are businesses owned by the project's target groups performing core business functions? • What are the underlying causes of any areas of low performance?

Job quality

Positive working conditions are both a goal in their own right and a means to improve the performance of businesses at all points in the value chain. As such, it is important to research these themes, so as to ensure projects design interventions that generate decent work. Again, we should consider carrying out this analysis separately for the project's target groups. For each of these questions, we may want to ask whether conditions are different for the target groups, compared with the general population. Equally, it will be important to consider the underlying causes of the current situation.	• Are wages sufficient? • Is there discrimination, harassment and intimidation in the workplace? • Are employers respecting relevant labour standards, including minimum age for employment? • What levels of occupational health and safety currently exist? • What effect is job quality having on business performance? • What are the underlying causes for poor working conditions?

Linkages, power relationships and value chain governance

Linkages between actors can have a marked effect on the performance of the market system. As such, it may be useful to identify the structure of these linkages, as well as their dynamics, such as levels of formality and trust. Please note that this section only covers the structure and dynamics of the linkages. The supporting functions and rules that these relationships provide will be covered in the relevant sections below.

There can also be significant differences between value chains in terms of who has the power to make key decisions about operations in the chain. In particular, who decides:

- What is to be produced: including product design and specifications;
- How it must be produced: including labour and environmental standards, as well as technology to be used;
- How much is to be produced and when: including production scheduling and logistics.

The power to decide these rules can be distributed in different ways in different value chains (see Box 5 below).

Researching structure of linkages:

- What linkages exist between enterprises at the same level of the value chain?
- What linkages exist between enterprises at different levels of the value chain?
- What linkages exist between enterprises within the value chain and actors outside the value chain?

Researching linkage dynamics:

- Are relationships informal or formalized in contracts?
- Are relationships stronger between certain social categories? For example, are they stronger between people of a specific gender, ethnicity or level of poverty?
- What levels of trust exist between enterprises?
- Are enterprises organized into cooperatives and associations?
- Researching value chain governance
- Who decides what is to be produced?
- Who decides how it will be produced?
- Who decides how much is to be produced and when?

Rules and supporting functions

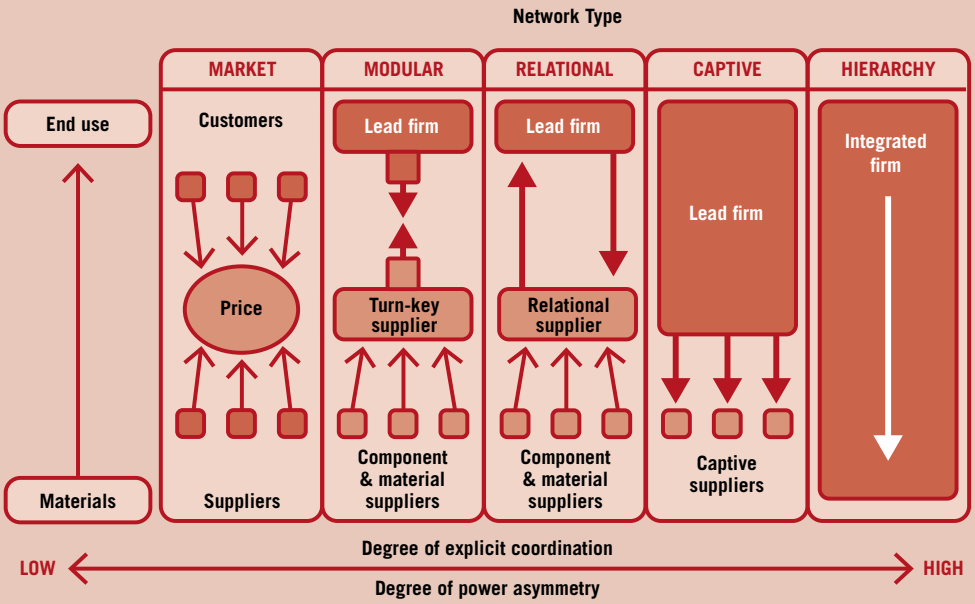
As mentioned in the introduction, rules and supporting functions are critical to maintain and develop the competitiveness of the value chain, and ensure that enterprises provide good working conditions. It is essential to identify the most relevant of these, assess their performance and identify the underlying causes of areas of poor performance.

The rules and supporting functions to be investigated should be linked to the constraints that have been previously identified. For instance, if SMEs face the constraint of poor access to finance, we need to identify which market actors provide this financial service and investigate any constraints.

Further guidance on how to link constraints to specific supporting functions and rules is provided in the section below in Step 3 Research and analyse the market system.

- Which rules and supporting functions currently exist and are linked to the identified constraints and symptoms?
- Which market actors perform these rules and supporting functions?
- How well do they perform these rules and supporting functions?
- Which rules and supporting functions do not currently exist, but would improve business performance or working conditions in the value chain?

Box 5: Different types of value chain governance



Source : Gereffi & Humphrey 2003

Hierarchical: These chains have a dominant player - the lead firm - who is able to set various rules about how the chain operates.

Network-type relationships: In other chains there is intensive interaction, but the relationships between the enterprises are uneven. These relationships fall into three categories:

a. Modular: where suppliers make products or provide services to a customer's specifications, and tend to be highly competent with an ability to provide "turn-key" or "full-package" services.
b. Relational: complex interactions between buyers and sellers, which often create mutual dependence and asset specificity.
c. Captive: typical of situations where small suppliers are transaction-dependent on much larger buyers. Suppliers face significant switching costs and are therefore 'captive'.

Market-based relationships: In these chains, there is buying and selling (transaction), but little exchange of information and learning from one another (interaction). This type of value chain governance consists of market-based relationships, because the conditions of exchanging goods and services are negotiated daily on the basis of the market price.

b) Design methods

For each research question formulated in the above step, the research team must now select the sample and design data collection methods. This guide assumes that the research team has the capacities required to carry out these tasks without general guidance. As such, guidance on these topics is not provided here. Instead, the guide will only briefly outline the key methods used, signpost some specific tools that have been developed to research market systems and highlight some research considerations to bear in mind, which are specific to market systems research.

The most commonly used methods in market systems research, as well as the actors' groups with which they are most commonly used, are listed in the box below.

Box 6. Methods commonly used in market systems research

- *Secondary sources*, such as industry journals, market research or previous value chain analyses;
- *Interviews and consultations* with market actors, such as lead firms, government authorities, business services providers and selected small-scale market actors;
- *Focus group discussions and mini workshops*, with groups of market actors that are easier to organize (e.g. small producers, SMEs or local service providers);
- *Observations* of business practices and transactions (e.g. workplace conditions, labour productivity, etc.);
- *Surveys* to obtain more quantitative data, for instance on prices, productivity and use of inputs.

Remember to keep methods flexible enough to continue asking 'Why' and to explore complexities. Some themes may be difficult to research by approaching market actors directly. For example, market actors may not report honestly about their incentives. As such, it may be necessary to consider alternative sources of information. In the case of incentives, it may be useful to 'triangulate' what people claim with their actual actions, and with information from other sources (e.g. employees, former employees, competitors, sub-contractors and media analysts).

Having decided on methods, *specific instruments* will have to be selected or developed, such as interview schedules, questionnaires, formats for workshops, etc. This will ensure that information is relevant to the research questions and is consistently collected by all team members.

For workshops, a number of tools are widely used and readily available. They include SWOT analysis and the Porter's Five Forces model. Other research instruments (e.g. interview schedules) will need to be developed to answer the researchers' key questions. More specific data collection tools have been created to research particular aspects of market systems. For example, gender analysis methods are well developed. If they are available, it may be quicker and easier to use or adapt these tools, rather than trying to design data collection methods from scratch.

There are a great number of such specific tools, although it is beyond the scope of this guide to detail them here. However, the resources listed in the recommended reading section provide information on where to find these.

Step 2: Research the value chain

a) Identify symptoms and cause of low performance in the value chain

This process aims to develop the project team's understanding of the target value chain. The main purpose of this initial research is to identify symptoms of underperformance in the value chain (e.g. low levels of productivity) and pinpoint any causes that originate from the value chain itself. The subsequent step will build on these findings and look beyond the value chain to identify underlying causes in the broader market system and supporting market systems, as described in section 2.2. The thematic areas contained in Box 4, *Researching the market system*, provide a framework for conducting this research.

The amount of existing information available at the start of this step will vary between projects. Sometimes, large parts of the information required have been collected through the value chain selection exercise, detailed in Chapter 3. In other cases, limited information is available and it is necessary to start by collecting secondary information, before conducting more detailed research.

b) Start mapping the value chain

A market system map is a visual representation of key aspects of the market system (core value chain and its market system), built on the information obtained through market systems research. It quickly and effectively communicates key features of the market system to either the project team or external stakeholders. Please refer to section 2.3 in this chapter for detailed guidance on the process for mapping the market system. At this point, we cannot map the entire market system, because there are many aspects that have not yet been researched. However, it will be useful to start the process of mapping the value chain now, based on the information collected under point a) above.

c) Prioritize which causes of low value chain performance to research further

The process outlined above will have identified a long list of causes of low performance in the value chain. In the following step, the team will go beyond the value chain and research the underlying causes in the broader market system and supporting market systems, as described in section 2.2. However, bearing in mind limited resources and feasibility considerations, it is not always possible to solve all these problems. As such, it is important to prioritize which causes of low performance in the value chain should be researched further, based on an assessment of which ones would generate the greatest scale and sustainability of impact. This can be achieved through a simple voting system, or a group discussion among the project team.

Example 2. Understanding the symptoms of value chain underperformance

In East Timor, the BOSS project faced a series of problems in the agricultural sectors. In the horticulture value chain, one of the 'symptoms' was the low level of horticulture productivity, which perpetuated the presence of subsistence farming, since produce was only able to provide a very low return. The project engaged in a diagnostic process to understand this issue, which led to identifying that one of the 'constraints' to higher productivity was that few farmers had knowledge and information about modern cultivation techniques.

Step 3: Research the market system and supporting market systems: identify underlying causes of low performance of the target group

This step involves carrying out analytical processes which aim to identify the 'underlying causes' of the low performance of the target group(s) in the value chain. It involves the interrogation of findings of the value chain mapping exercise and research, where the project has succeeded in understanding both the current structure of the value chain, as well as symptoms and causes of low performance in the value chain. The step looks beyond the value chain, to analyse the broader market system and supporting market systems, in order to identify underlying causes of the identified areas of low performance, as described in section 2.2.

Projects should use team workshops to debate whether they have identified the underlying causes of the target group's disadvantage in value chains (also known as 'systemic constraints'), or whether there is a need for further investigation before intervening. This process will usually identify knowledge gaps, which need to be filled by carrying out further research.

The following guidance gives an overview of the process and illustrates this with a practical example. The key question to ask at each step, as always in market system analysis, is 'why are things as they are?'. Answers to this question link each step to the next. By the end of the process, there should be clarity on the 'underlying causes' of the target group's underperformance in the value chain. If questions are not answered by the information gathered, it may be necessary to plan additional data collection processes to fill information gaps.

a) Analyse the supporting functions and rules in the broader market system causing low performance of the value chain

The diagnostic process involves analysing the supporting functions and rules responsible for low performance areas in the value chain. Later on, this information will be used to design interventions to improve key supporting functions and rules. The key question to guide this analysis is:

> *Which supporting functions and rules in the market system are causing low performance of the value chain?*

As mentioned in the introduction, rules and supporting functions are critical to maintain and develop the competitiveness of the value chain, and ensure that enterprises provide good working conditions. It is essential to identify the most relevant of these, assess their performance and identify the underlying causes of areas of poor performance.

Any relevant rules and supporting functions should be considered, though these typically fall under the categories outlined below. Further detail on social dialogue is provided below. If additional information is needed for the other categories, please refer back to Chapter 1 or recommended further reading.

Rules	Supporting functions
Regulations	Infrastructure
Standards	Coordination
Laws	Research and development
Informal rules and norms	Information
	Skills and capacity
	Social dialogue[6]
	Business and financial services

6. Social Dialogue is defined as all types of negotiation, consultation or exchange of information between representatives of governments, employers and workers on issues of common interest. It is an important supporting function, because it can enhance collaboration between market actors, which may lead to improvements in business performance and working conditions.

Example 3. Analysing constraints

In the BOSS project, the team went further to analyse one of the main causes of low productivity: why farmers do not have information about modern cultivation techniques? By doing this, the project related this weakness in the supporting function of 'knowledge provision'.

b) Identify the market actors who are currently performing the supporting functions and rules, or who have an incentive to perform them

Once a low-performing supporting function or rule has been identified, it is essential to investigate the market actors who are performing these, and assess their performance. Again, this contributes to building an understanding of the underlying causes of areas of poor performance in the value chain. The key question to ask is:

Which actors set and enforce the rule or provide the supporting function?

It is important to note that these actors may come from the private sector, public sector or civil society. Equally, they may include organizations of different sizes and levels of formality, and they may include individual organizations or networks.

c) Assess the performance of supporting functions and rules

Assessing the performance of key supporting functions is crucial to understanding the underlying causes of low performance and poor working conditions in the value chain. The central question is:

How well is the rule or supporting function being performed?

Why is the rule or supporting function underperforming? What are the causes of low performance?

In this diagnostic process, each of the supporting functions and rules that are identified as relevant to shaping the functioning of a value chain can be considered as its own supporting market system. This involves placing the rule or supporting function as the core exchange at the centre of the market system, where the value chain normally sits, and then identifying the rules or supporting functions that are essential to the core exchange. Figure 8 illustrates this diagnostic process using the BOSS project example.

It is important to note that there are no clear limits in this diagnostic process of moving from one market system to another in order to understand the systemic constraints; however, as we have mentioned before, it is advisable to take the project's capacities and resources into account and reconsider the project's ambitions in the research. In assessing the performance of supporting functions or rules, this may be categorized as 'inadequate', 'mismatched', or 'absent' (see Box 7).

Box 7. Levels of performance

The M4P Operational Guide outlines three performance levels for rules and supporting functions:

Inadequate: the market player(s) involved are suited to the role, but they do not have sufficient capacity or incentives to fulfil it and improve their performance. One example would be a Ministry of Labour with little capacity to enforce the labour code.

Mismatched: the market player(s) involved are not suited to the role, and are unlikely to have the capacity and incentives to fulfil it and improve their performance. Ministries setting up microcredit schemes are a common instance.

Absent: a function or rule is missing, because there are no capacities and incentives for any market actor to provide it. For instance, services to improve Occupational Safety and Health may be missing because enterprises are unaware of their importance for their performance and, given the lack of demand, no supply has developed.

Source: The Springfield Centre 2014

d) Assess the capacities and incentives of market actors to perform such supporting functions and rules

Analysing the capacity and incentives of market actors to perform functions is relevant, since functions and rules depend on them. As mentioned in the introduction, incentives and capacities explain why market actors do what they do, and how well they do it. Understanding incentives and capacities is therefore key to identifying underlying causes of low performance of rules and supporting functions. As such, it is crucial to ask:

> *What are the incentives of market actors to provide rules and supporting functions?*
>
> *What are the capacities of market actors to provide rules and supporting functions?*

It is important to bear in mind that incentives may be:

- Materially-oriented
- Socially-oriented
- Purpose-oriented

It is also useful to bear in mind that the key components of capacity are:

- Financial;
- Technical knowledge and skills;
- Physical structures, assets and outreach;
- Vision, governance and networks;
- Ethos, attitudes and leadership.

Example 4. Assessing the performance of supporting functions and rules

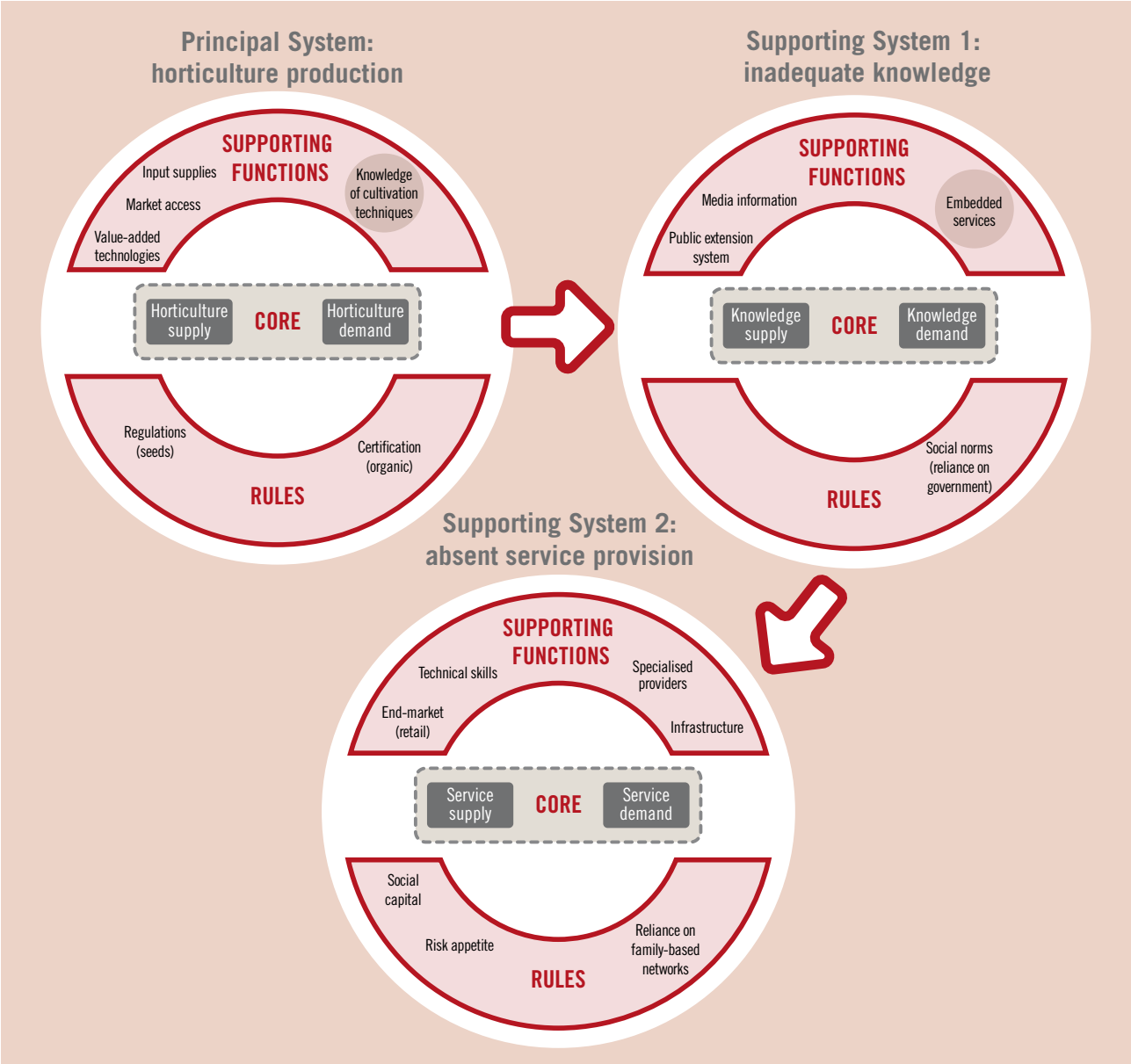
In order to assess the performance of the supporting function 'knowledge provision', the BOSS project analysed this function as a market system itself (supporting system 1), which led the project to identify the absence of embedded services where farmers could access technical information, while purchasing inputs or selling produce.

The project then analysed embedded services again as a core value chain (supporting system 2), by placing it at the centre of the market system and asking: "why are there no current embedded services?" Through this diagnostic process, the project concluded that one of the 'underlying constraints' was that wholesalers and distributors had a negative perception regarding rural vegetable collection and trade, considering this a low-scale and high-risk activity.

Figure 8 provides a visual representation of this diagnostic process to assess the performance of supporting functions, thereby leading to the identification of underlying causes of constraints.

Source: BOSS project; Ripley & Major 2015

Figure 8: Assessing the performance of supporting functions and rules



Source: Ripley & Major 2015: 8

Step 4: Validate and prioritize constraints

The prior steps will have identified the underlying causes of low performance in the value chain. It is likely that a large number of underlying causes will have been identified through this process. However, projects have limited time, resources and capacity available, so it is essential to prioritize which underlying causes the project will aim to address. Prioritization ensures that the initiative remains realistic and focuses on the project's overall goals. Carrying out a validation process, where market actors check whether the analysis of the market system is correct, can also be a useful step. This process can be carried out as part of the prioritization workshop.

When planning and facilitating the workshop, it is important to ensure that an environment is created in which participants feel comfortable about identifying issues with the research. However, a stakeholders' workshop may not always be the most appropriate option. Although the participatory approach to market systems analysis increases ownership of the findings, there is the risk that increasing participation can result in a loss of analytical depth. A stakeholders' workshop is not recommended when there is a risk that:

- Market actors do not possess the necessary knowledge and/or understanding of the market system.
- Participants become biased when tracing causality towards systemic constraints in areas for which they are responsible, because they think by doing this they can gain project resources.
- Participants pay attention to the immediate needs of the poor and disadvantaged, rather than the underlying causes of their disadvantage.
- Discussions may focus on constraints that are beyond the scope of the project, which could either raise expectations that cannot be met, or create frustration among participants that their time has been wasted.
- Market actors regard working conditions and gender equality as low priority issues, so may not prioritize constraints that relate to improvements in these areas.
- Market actors from each group are not present, so those attending may not represent the interests of other groups in the market system.

When these conditions exist, it is advisable to carry out an **internal workshop** instead, with the presence of the project team responsible for conducting the market systems analysis. In any case, the guiding principles to validate findings and prioritize constraints are outlined below.

Validation

With the right actors present, it is possible to verify whether the research team's analysis of the market system is correct. For this to be effective, it is crucial to involve a combination of market actors and other stakeholders who possess the necessary knowledge to identify errors in all relevant components of the market system. Market

actors who showed a robust knowledge of the market system during the data collection phase can be good candidates. Once the right actors are present, the key questions which need to be asked are:

Are the findings and conclusions of the research correct?

Have any relevant details been missed by the research?

Prioritizing constraints

At the workshop, the following questions are key to the process of prioritizing constraints:

Would addressing the constraint benefit the target groups and address the initiative's goal?

What would be the scale of the likely impact of addressing the constraint?

Is this bigger or smaller than the impact of addressing other constraints?

Is the constraint systemic?

Would addressing this cause benefit one or a few enterprises, or have an effect throughout the value chain?

Could a solution to this problem become part of the way the market system operates?

Is it possible to address this cause without solving another, deeper lying problem first?

Is change feasible?

Are the project duration and financing sufficient?

Is the project's organizational capacity sufficient?

Do market actors have sufficient capacity and incentives to make change happen?

Are vested interests likely to inhibit positive change?

Are there any other factors that pose a high risk to successful change?

Are constraints linked to one another, in such a way that they need to be addressed together or in sequence?

2.4 Mapping and documenting

Market system map

A market system map is a visual representation of key aspects of the market system, built on the information obtained through research. It quickly and effectively communicates key features of the market system to either the project team or external stakeholders. Market system mapping is not a research step in itself, but a tool to visualize findings and facilitate research and analysis.

It is important to emphasize that this is a continuous and evolving process as research advances. It may be that the team already started mapping during the value chain selection stage. If not, then it should begin once the value chain research has been completed, as mentioned earlier in this chapter. But what information is required to complete the process? Market system maps can potentially include any component of the market system, such as:

- **The process** by which a product or service goes through several stages until it reaches the final customer (core value chain).
- **Key market actors**: businesses involved in the core value chain transactions, and organizations and businesses that perform the rules and supporting functions in the wider market system.
- **Value addition** that takes place as a result of each process.
- **Different market channels** through which products and services reach the final customer and the end market, the relevance of such channels for accessing new markets, and characteristics of these markets (e.g. size, number of competitors, quality requirements).
- **Relationships between actors** in the core value chain and characteristics of these relationships (e.g. weak or strong, positive or negative, power differences); as well as the actors who provide rules and supporting functions (government, BDS, NGOs, associations, etc.), which actors in the value chain these relate to, and the performance levels (e.g. 'inadequate', 'mismatched' or 'absent').
- **The number of target group members** (e.g. women or migrant workers) working in particular channels, and at particular levels in the value chain.
- **Information about prices and financial flows** at and between different value chain levels.
- **Key opportunities and constraints.**

However, it is not usually advisable to try to map everything that is known about the market system. This can generate a map that is cluttered and unclear, defeating the purpose of the exercise. As such, the project team needs to decide:

What aspects of the market system are most important to map?

How much detail should be recorded about each aspect of the market system?

Is this information best recorded on one map, or split between two or more?

The following considerations may help with making these decisions:

Mapping rules and supporting functions

Through research it is possible to identify a large number of rules and supporting functions. However, it is often best to map only those that have the greatest impact on the performance of the project's target group.

Mapping constraints

When mapping constraints, it may be necessary to zoom in on one section of the market system, rather than trying to represent the whole system on one map (see example A below).

Current situation or desired changes

Maps can either record the current situation, or map the situation if desired changes took place. For example, it may map the supporting functions that would ideally exist, as in example B below. Be clear about which is most useful.

Examples

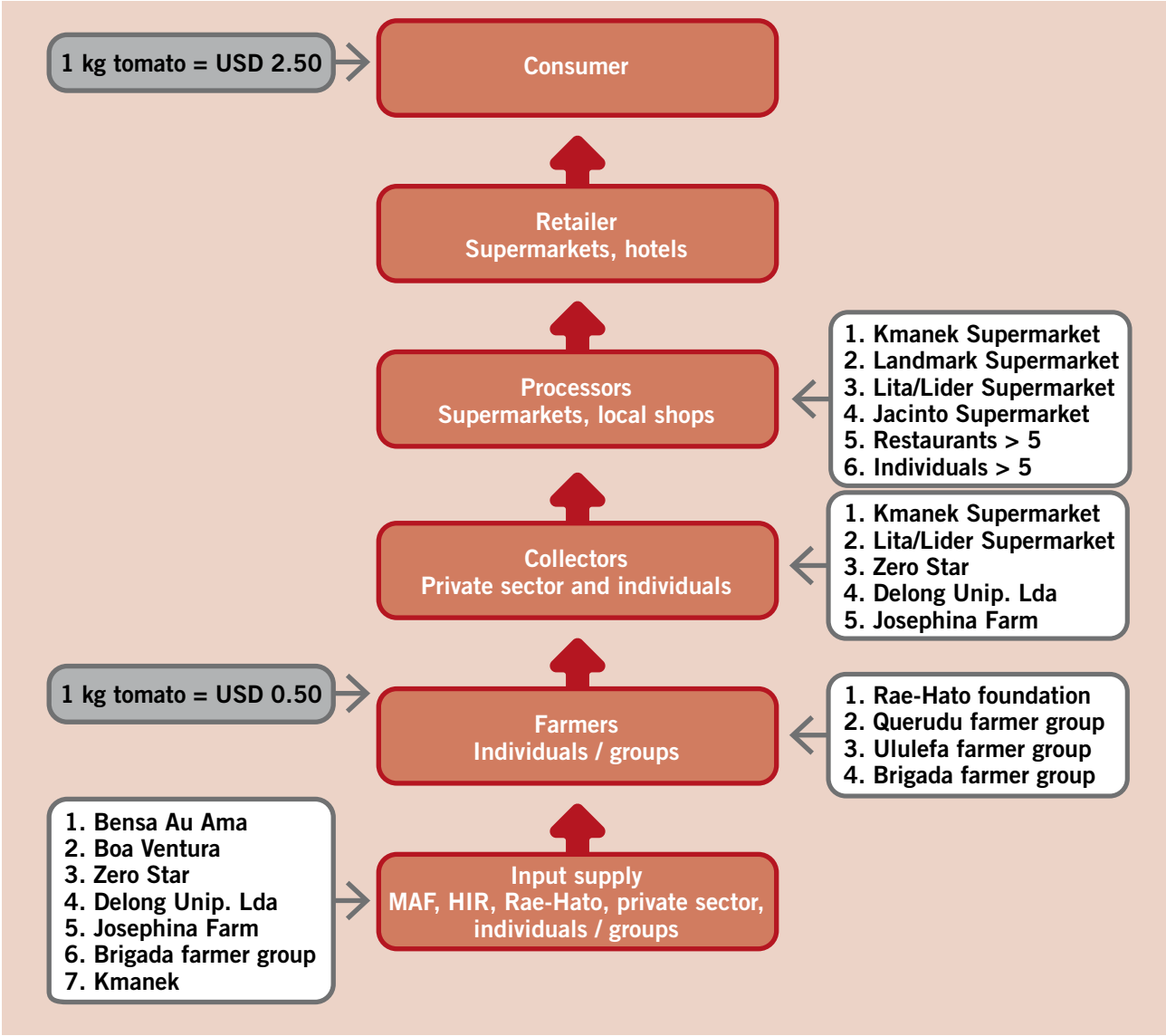
Three examples of different maps are outlined below, and key strengths and weaknesses of each example are highlighted. For a detailed account of potential variations in maps, as well as further guidance on the mapping process, please see the first edition of the Value chain development for Decent Work guide.

Example A

BOSS, the horticulture value chain in Ainaro District

BOSS made a simple value chain map of the horticulture value chain in Ainaro District. This includes the different actor groups in the value chain, as well as specific companies at each level. However, the map does not indicate separate channels to different types of buyers. This could have been useful because requirements of supermarkets are likely to be different from those of other retailers. Value added per level in the chain proved difficult to obtain, but the map shows the difference between the price to farmers and to consumers (see Figure 9).

Figure 9. The horticulture value chain map



Source: BOSS 2011b

Example B

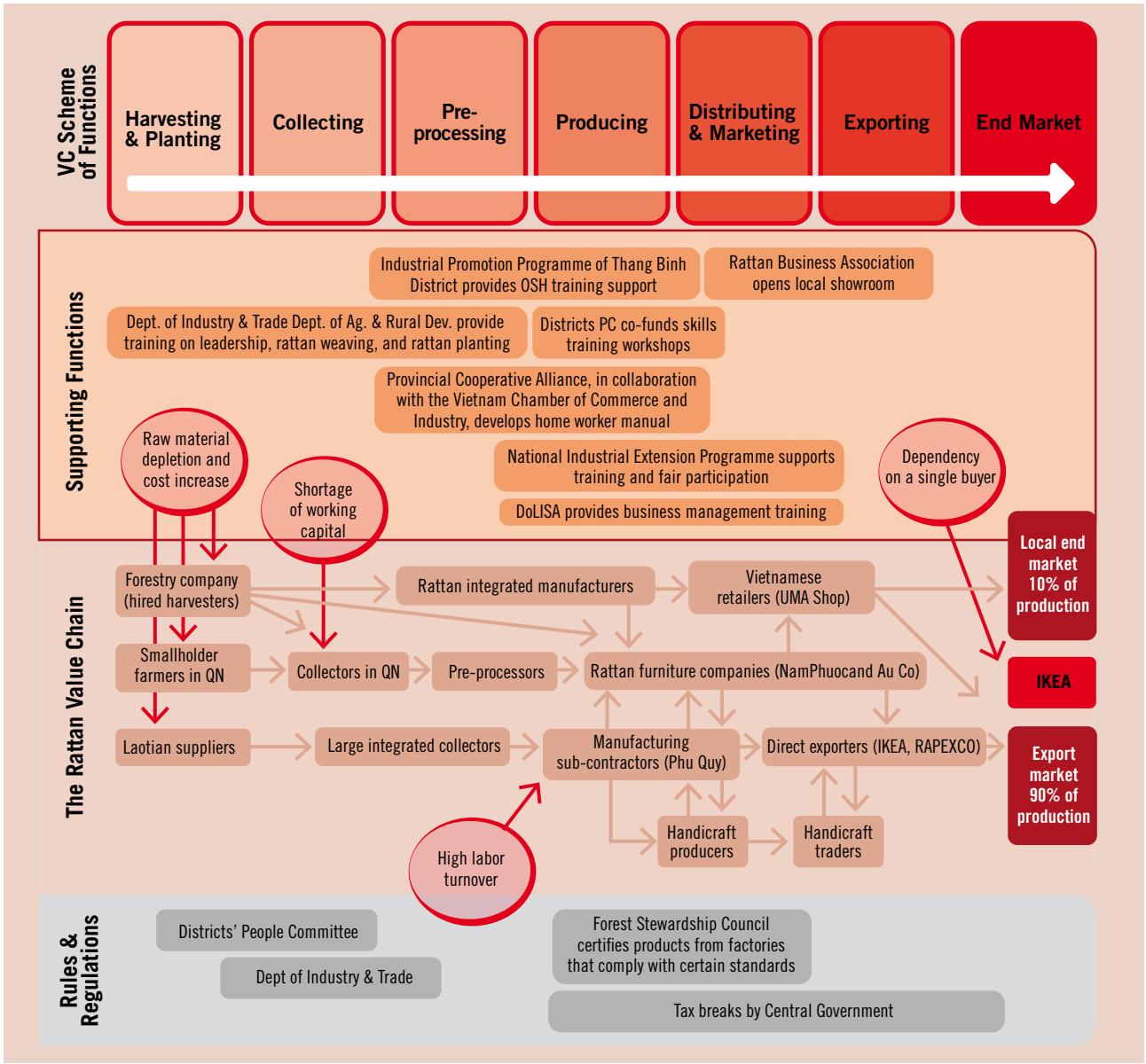
BOSS, the horticulture value chain in Ainaro District

This map is more complex and includes the main processes and key business types in the value chain, as well as their relationships. Note that all steps in the manufacturing process, for all types of furniture, have been lumped together as 'producing', in order to keep the map clear and simple.

The map also records key market actors performing rules and supporting functions. Prior to the project, the rules and supporting functions were 'absent', so these are recorded as planned changes in the market system, rather than the current situation.

In this example, only 'symptoms' of low performance are recorded, rather than underlying causes of systemic failure. One reason for this low level of detail is that this type of market system map, which records the whole value chain, does not make it possible to zoom in on one part of the system in detail (see Figure 10).

Figure 10. The rattan market system (value chain functions and market actors)



Source: elaborated with information from ILO 2012a

Example C

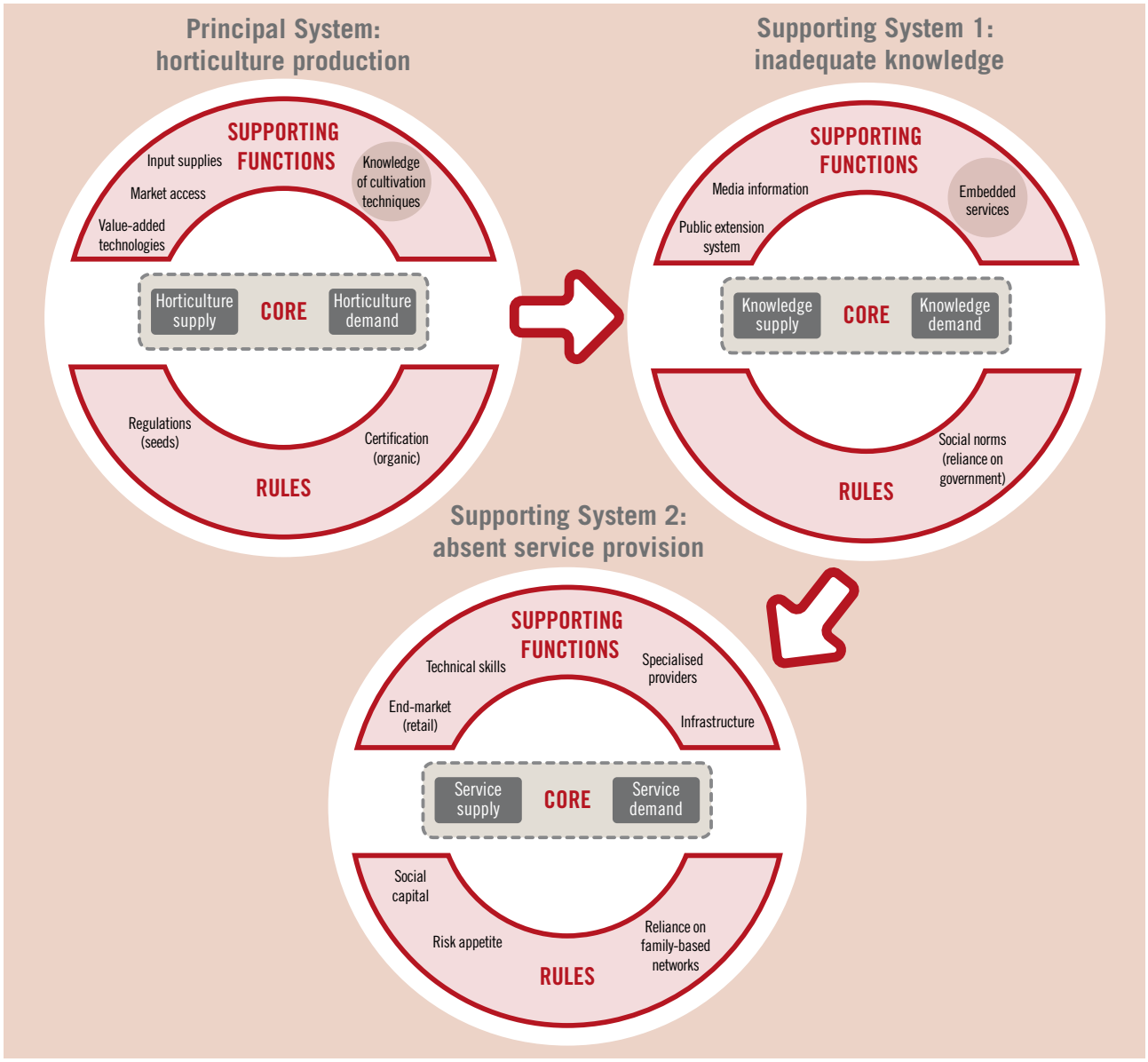
BOSS, mapping supporting market systems related to provision of horticultural knowledge

The figure below provides an example of zooming in on one component of the market system. It shows the causal chain that links symptoms of the target group's disadvantage, to underperforming supporting functions, then to systemic constraints. This is known as a cascading market systems diagram.

It starts by mapping all relevant rules and supporting functions, one of which is horticultural knowledge. The Supporting System 1 diagram maps the supporting market system for horticultural knowledge, which includes the lack of embedded knowledge services. The Supporting System 2 diagram then maps the supporting market system for embedded knowledge services, recording the various rules and supporting functions relevant to the provision of these services.

As we can see, this provides an opportunity to represent one component of the market system in far more detail than is possible in maps that attempt to represent the entire system. It is particularly useful for representing the underlying causes of low performance of rules and supporting functions.

Figure 11. The horticulture market system and supporting market systems



Source: Ripley & Major 2015: 8

Other tools for visual representation

In addition to the diagram referred to in example C, there are other tools that can be used to represent the causal chain from symptoms of the target groups' disadvantage, to underperforming rules and supporting functions, to systemic constraints. In particular, problem trees can provide a useful way of representing these causal chains. This is a good way of checking the logic of the analysis, and a useful input into subsequent design of interventions.

Producing the research report

This records the pertinent information in a way that can inform the action of others interested in developing the relevant market system. It can also provide a snapshot of the baseline situation, against which it may be possible to compare project results. Finally, it may contribute to project 'memory', which can be useful for broader evaluation and learning purposes.

2.5 Management considerations

Staffing

The research should be managed by a team leader from the project, preferably a senior staff member who will play a significant role in the project's implementation. In addition to project staff, it is important to consider whether staff from other organizations should form part of the market systems research team. The main options are outlined below, together with considerations related to each.

Co-facilitators

One option is to involve a local organization, such as an NGO that is familiar with the value chain, to collaborate on research and analysis. This can increase local ownership and may result in the collaborator or co-facilitator continuing to play a facilitation and development role in the sector.

Choosing the right organization is crucial. It should have a relevant mandate and capacity, a good track record and credibility. It should not, however, be a market player, as this would be a conflict of interest. Facilitators should stimulate changes in the market system that benefit market actors, not themselves.

Consultants

Technical 'experts' can bring in key knowledge and skills. However, by taking the task of collecting and analysing data out of the hands of project staff, an opportunity for learning about the market system will be lost for these latter. Equally, if consultants are responsible for the first engagement with businesses in the sector, a valuable opportunity for relationship-building may also be lost. By the same token, consultants may dominate and steer mapping and analysis exercises down routes with which they are most familiar and comfortable.

With this in mind, it is advisable to make sparing use of consultants. When tasks are contracted to consultants, it is important to pair them with project team members, train them and provide them with Terms of Reference (TOR) that clearly specify the questions that the team want answered.

Businesses from the market system

These could include businesses in the value chain, or those providing rules or supporting functions. Generally, the inclusion into the research team of these market actors is not desirable, as this can reduce credibility in the eyes of other market actors with whom they may be in a competitive position.

Representatives from public agencies with a shared mandate

Such representatives may include local development authorities, Chambers of Commerce or export development boards. A key issue with including these actors in the research team is that they may be responsible for providing rules or supporting functions, which could affect their capacity to reflect objectively on their own performance.

Team consistency

Team consistency and continuity are essential in order to ensure that information does not get lost.

Capacities and capacity building

Whatever the composition of the team selected, it is crucial to ensure that the team as a whole possesses the following capacities:

- Understanding of value chain and market system concepts;
- Understanding of objectives of the exercise and the process through which it will be achieved;
- Qualitative and quantitative research design, data collection and analysis skills.

If any relevant capacities are missing, it is important to train relevant staff to fill the gaps.

Further reading:

DFID. 2002. *The gender manual, a practical guide.* Available at: http://webarchive.nationalarchives.gov.uk/+/http://www.dfid.gov.uk/Documents/publications/dfid-gender-manual-2008.pdf [17 Oct. 2015].

GTZ. 2007. *ValueLinks Manual: the methodology of value chain promotion*, first edition (Eschborn Germany).

Mayoux, L.; Mackie, G. 2008. *A practical guide to mainstreaming gender analysis in value chain development* (Addis Ababa, ILO).

Microlinks. *Specific tools and resource,* USAID. Available at: https://www.microlinks.org/good-practice-center/value-chain-wiki/specific-tools-and-resources [17 October. 2015].

SDC. *Gender toolkit: Instruments for gender mainstreaming* (Bern). Available at: http://www.sdc.admin.ch/en/Home/Themes/Gender/General_and_thematic_tools/Gender_Tool_Kit [17 Oct. 2015].

The Springfield Centre. 2014. *The operational guide for the Making Markets Work for the Poor (M4P) approach*, 2nd edition funded by SDC & DFID. Available at: http://www.beamexchange.org/en/guidance/m4pguide [17 Oct. 2015].

3. Pilot intervention design: developing a vision and strategy to bring change

3.1 Objectives

A plan for interventions that lead to systemic change

The overall aim of intervention design is to create a clear vision for how market system change will occur. This includes:

- A vision for improvements in **enterprises** that the target group owns, or is employed by;
- A vision for changes in the **broader market system** that are necessary to achieve improvements in target group enterprises;
- **Interventions** that stimulate actors to achieve the desired changes in the market system.

Interventions are temporary actions that a project carries out to facilitate change in the market system. They aim to change poor women and men's performance in the value chain, by improving the provision of supporting functions and rules by other actors in the market system.

3.2 Key principles

Sustainability

Sustainability of the changes is crucial. The intervention design process must proactively plan interventions in a way that delivers sustainable changes. There are several components to the sustainability of changes that interventions bring about:

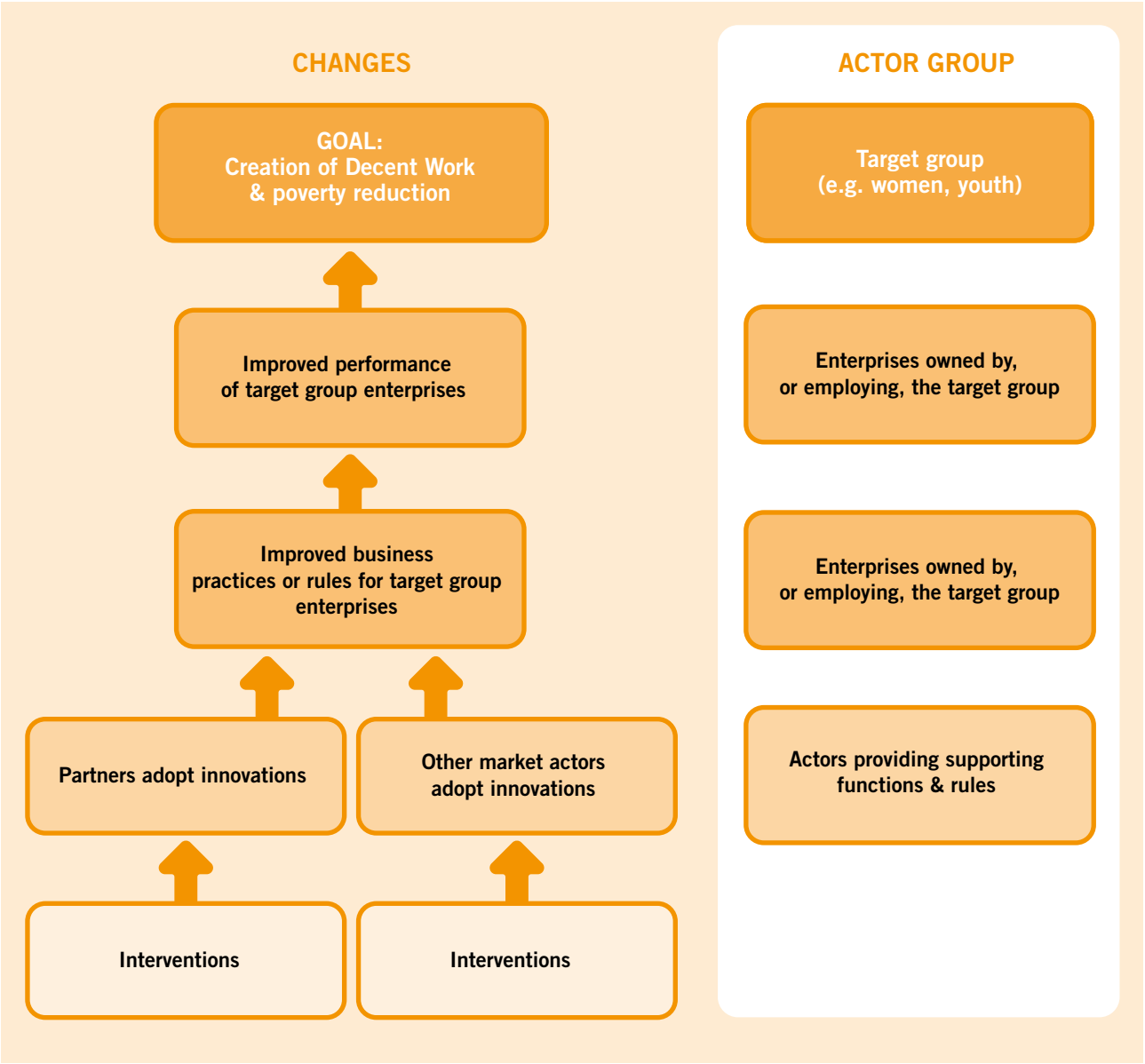
- **Sustainability for the target group.** Target groups should attain lasting benefits from their improved economic participation.
- **Sustainability for market actors.** Actors should have the capacity and incentives to continue – or even improve upon – their new/improved roles. To achieve this, private sector actors must receive higher profits for playing the new/improved roles and public sector actors would require budget allocations. **Social and environmental sustainability.** The ILO does not support changes in market systems that cause social or environmental damage. For example, by decreasing the decency of work, putting in place exploitative relationships or depleting natural resources and reducing biodiversity.

Theory of change

The ultimate aim of interventions is to achieve the project goal. In ILO projects, this is typically the **creation of Decent Work and poverty reduction for women and men.** However, interventions in the market system do not achieve this goal directly. Instead, they cause a sequence of changes to take place, among different actors, which finally

cause the goal to be achieved. The diagram below provides a simple representation of the sequence of changes that interventions in market systems typically aim to achieve.

Figure 12. Flow of changes caused by a typical value chain development project



The sequence of changes, from the intervention to the project goal, forms the core component of a project's **theory of change**. Although diagrams, such as the one above, are useful for communicating the key components of the theory of change, in order to capture the detail it is necessary to record the theory of change in narrative form. This makes it possible to explain:

- **Causal links and plausibility:** the exact way in which changes at one level will cause changes at the next level. The reasons why this is plausible.
- **Assumptions**: the assumptions being made when predicting that changes at one level will cause changes at the next level. Evidence that supports these assumptions is necessary.

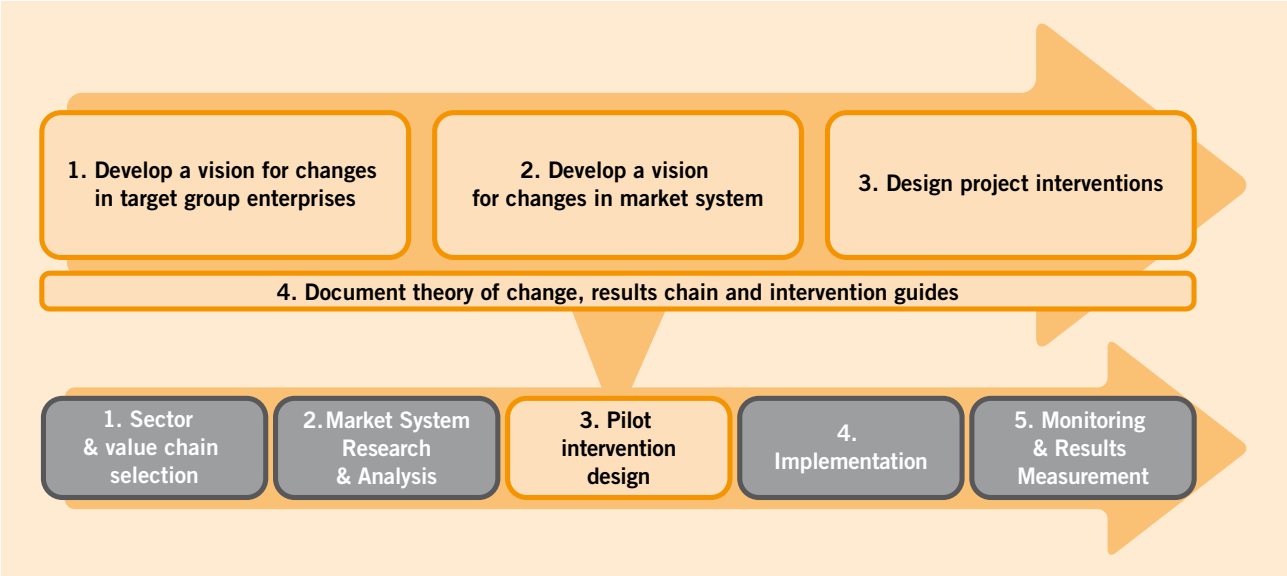
- **Risks**: factors that could prevent change at one level from causing change at the next level and the likelihood of this occurring.

By writing down these details, it becomes easier to scrutinize feasibility, identify weaknesses and adapt accordingly. The construction of a theory of change is central to intervention design. Each step below contributes material to the construction of the theory of change, though a full draft can only be completed once all these steps have been carried out. The theory of change should then be modified through the course of the project implementation, to reflect changes in thinking based on project experience.

3.3 The process

The process for designing interventions is described below, broken down into steps and illustrated by an example. The major steps in the process are outlined in Figure 13.

Figure 13. Main steps in the pilot intervention design process



As in other chapters, the process is not prescriptive, but provides guidance. In practice, steps overlap, may be skipped or returned to later on. There is also significant overlap between planning and implementation, because negotiations with market partners (implementation) require projects to make amendments to the activities they designed, and adjustments as initial results from pilot interventions highlight the possible need for redesign. Furthermore, the process of documenting the theory of change, results chain and intervention guide is likely to be continuous, with information documented from each of the other steps as soon as they are complete.

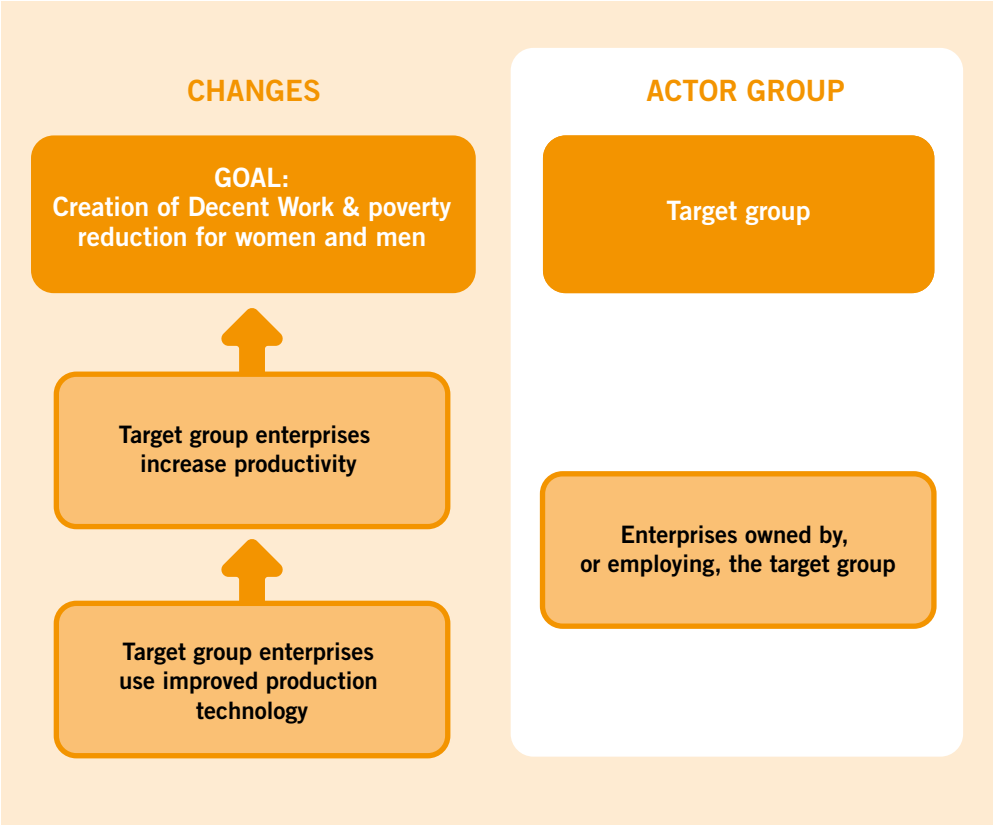
Step 1: Develop a vision for changes in target group enterprises

a) Plan changes in target group enterprises

The project's overall goal was decided at the sector selection stage (see Chapter 2). In ILO projects, this is typically the **creation of Decent Work and poverty reduction for women and men.**

The first step in the intervention design process involves identifying changes in target group enterprises that will ensure that this goal is achieved. In this case, the term 'target group enterprises' refers to enterprises within the value chain that are owned by poor women and men, or enterprises in which they work. Some examples of changes in target group enterprises that might contribute to the above goal are given below:

Figure 14. Examples of changes in target group enterprises contributing to a project goal



Generating a longlist of ideas

In order to decide the desired changes in enterprises relevant to the target group, the first step is to create a longlist of potential changes. The process starts by reviewing what the market systems research and analysis found about enterprises in the value chain. This includes information about:

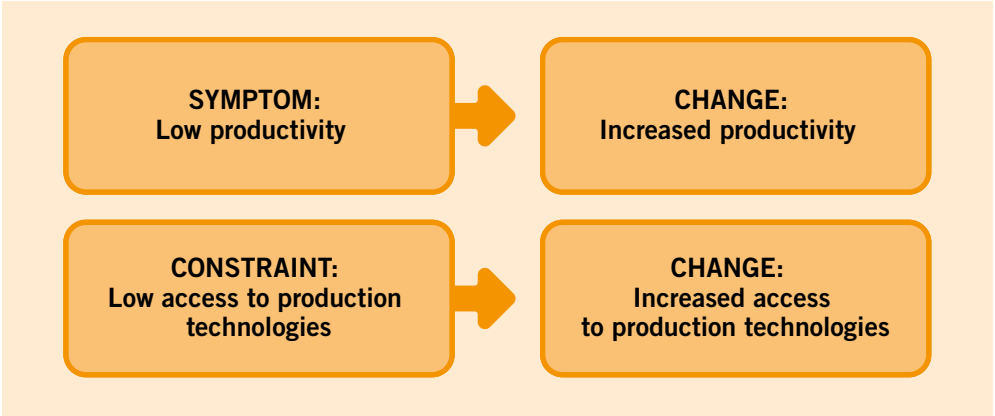
- Symptoms and constraints;
- Opportunities;
- Considerations about gender and working conditions.

With this information in mind, we must then answer this question:

> *For the project goal to be achieved, what changes need to happen in target group enterprises?*

One way of generating potential ideas for these changes is to take the symptoms and constraints identified in the market system research and to restate these as positive changes.

Figure 15. Enterprise-level symptoms and constraints restated as a change



If the constraints from the market system research were recorded in a problem tree, the entire tree can be restated as positive changes, which will generate many ideas. In addition to constraints, however, it is also important to consider the current strengths and future opportunities identified for target group enterprises, because these may also be useful sources of ideas for positive changes in the enterprises.

The changes should be defined separately for men and women, taking into account their different roles, access to resources and services, and agency (power to take economic decisions), and defining the changes in these terms. For each underlying cause identified in these areas during market systems research, specific changes should be formulated in response. When formulating these planned changes, it is important to bear in mind that participation of more women does not necessarily mean greater benefits to women. It may actually mean that more women are locked into exploitative work. As such, the working conditions generated should also be considered.

Prioritizing changes

The process above is likely to produce a large number of enterprise-level changes that the project would ideally bring about. However, often it is beyond the scope of the project to tackle all these, so there is a need to prioritize. There are several factors that should be considered when doing this:

Contribution towards achievement of project goals

> *How many target group enterprises will benefit?*
>
> *How big will the impact be for each target group enterprise?*
>
> *Would the change make a major contribution to the project goal?*

Feasibility of change

In some cases, a change may be highly desirable, but it may be unrealistic to think that it could be achieved within the project timeframe. Key questions to ask are:

Are the incentives to make these changes big enough for target enterprises? This includes profit incentives, but also incentives to improve working conditions (see below).

Do target enterprises have the capacity to make the changes?

Is there demand for the change among the target enterprises?

Are there any factors that might jeopardize the achievement of change?

What assumptions are made when predicting that the change will achieve/contribute towards the project goal? Does evidence suggest that these assumptions are plausible?

Can the change be achieved within the project timeframe?

Box 8. Incentives to improve working conditions

If the vision for the new market system includes improvements to working conditions, then target enterprises will need sufficient incentives to make these improvements. Incentives to improve working conditions can take a number of forms, such as increased productivity, access to new markets (e.g. fair trade) and legislation that demands specific conditions.
The project must understand what incentives exist. If they do not exist, or are not sufficient for businesses to make improvements, then the vision of the future market system is not viable.

Risks

Are there risks of negative impacts on gender dynamics, working conditions or the environment?

Box 9. Risks for women: going beyond the value chain

Risks should not simply be considered for women (or men) working in the value chain. It is important to consider ways in which women could be affected at home. For instance, changes could result in:

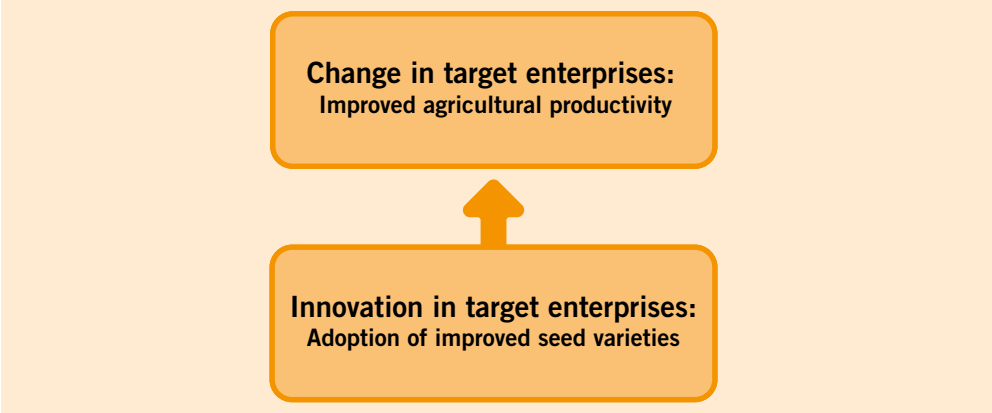
- An increased unpaid workload;
- Competing activities. For example, land previously used to farm crops cultivated by women is taken over by men to farm more profitable crops.

b) Design specific innovations that will achieve planned changes in target group enterprises

The above steps generated broad ideas for changes the project plans to achieve for target group enterprises. The next step involves designing the specific innovations within these enterprises that will achieve these planned changes. To recap, an innovation is a 'new or improved behaviour, practice or technique adopted by a market player as a result of programme intervention that confers a benefit to the target group. These can be goods or services, and/or new roles that support a different way of working'.[7] The diagram below provides an example of an innovation at enterprise level.

7. The Springfield Centre 2014

Figure 16. Example of a specific innovation designed to achieve a change at enterprise level



At enterprise level, such innovations could relate to **any aspect of the business** where improvement would lead to achievement of the planned changes.

Generating a longlist of ideas

There is no one way to identify such innovations. Possible sources are:

- Innovations **already taking place** in a limited number of enterprises in the **target value chain**;
- **Ideas** generated by businesses in the **target value chain or broader market system**;
- Innovations **already taking place in similar value chains**;
- Innovations in **other value chain development projects**.

Prioritizing innovations

Again, it is likely that the above process will generate many ideas. Themes and questions to assist with prioritization are outlined below.

Contribution towards achievement of planned changes in target group enterprises

Would the innovation make a major contribution to the achievement of planned changes in target enterprises?

Feasibility of innovation

Are the incentives big enough for target group enterprises to adopt the innovation?

Do target enterprises have the capacity to adopt the innovation?

Is there demand for the innovation among the target enterprises?

Will target enterprises be able to pay for the innovation? For example, it could potentially be funded through increased profits or access to credit.

Are there any factors that might jeopardize adoption of the innovation?

What assumptions are made when predicting that adoption of the innovation will achieve/contribute to the planned changes for target enterprises? Does evidence suggest that these assumptions are plausible?

Is it realistic that the innovation will be adopted within the project timeframe?

Risks

Is there a risk that adoption of the innovation would have negative impacts on gender dynamics, working conditions or the environment?

Step 2: Develop a vision for changes in the market system

a) Plan changes in the market system

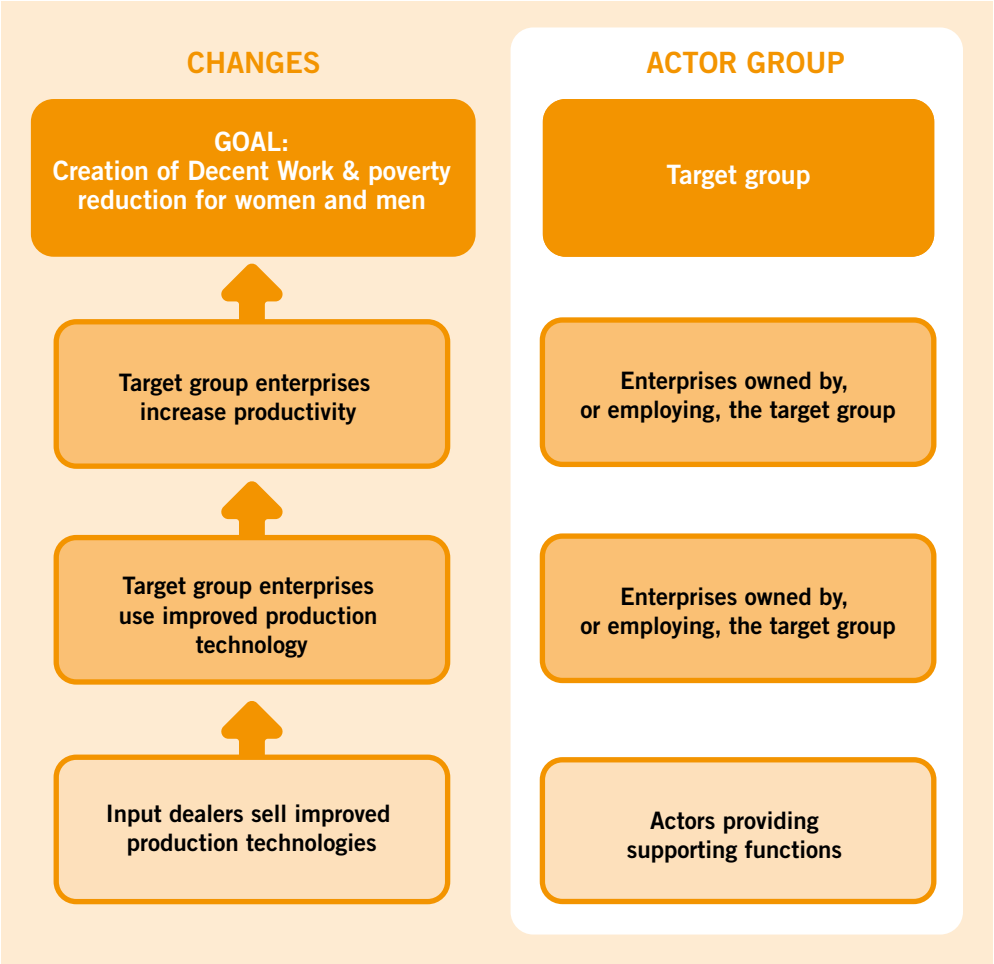
The previous step planned changes in enterprises that either employ, or are owned by, the target group. The next step involves planning changes in the market system that are necessary to achieve the desired changes in target enterprises. To clarify, the market system referred to in this section concerns:

- Value chain actors other than target group enterprises
- Actors providing rules and supporting functions in the target market system
- Actors providing rules and supporting functions in the supporting market systems

Please refer back to Chapter 3 if further detail is required about these actor groups.

The diagram below provides a simple example of a change in one aspect of a market system, a supporting function, designed to contribute to desired changes at the enterprise level, which subsequently contribute towards the project goal.

Figure 17. Example of a change in the market system (a supporting function) causing changes in target group enterprises, which contribute to a project goal



Generating a longlist of ideas

The process starts by reviewing what the market systems research found about the underlying causes of low performance of target groups in the value chain. This includes information about:

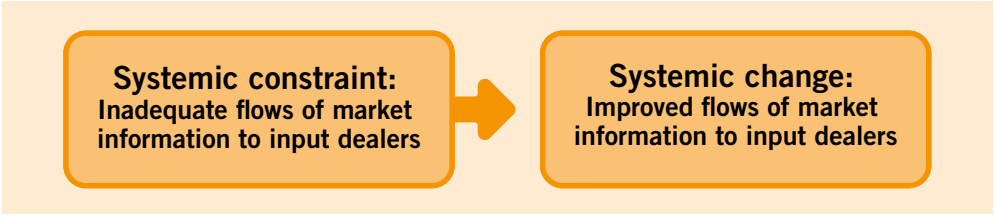
- Systemic constraints
- Opportunities
- Considerations about gender and working conditions

With this information in mind, the broad question to be answered is then:

> *For the planned changes in target enterprises to be achieved, what changes need to happen in other parts of the market system?*

Again, to generate ideas for changes, it may be helpful to take the constraints identified in the market systems research and restate them as positive changes.

Figure 18. Market system constraint restated as a systemic change



If separate constraints were identified for men and women, then changes will also need to be identified for men and women separately. For example, one constraint identified could be that women are not permitted to purchase inputs from male dealers for cultural reasons and, because no female input dealers exist, this means they cannot purchase inputs at all. In this case, it would be essential to identify changes that can address this constraint for women alone. For example, this might involve input dealers employing female sales agents. However, it is important to bear in mind that changes that aim to improve participation and benefits for women in the value chain may often achieve this by working with male market actors.

For whichever constraints that the project has decided to improve, it is then necessary to go a step further and plan changes in greater detail. In particular, it is crucial to specify:

> *Who does what currently, and who will do what in the future?*
>
> *Who pays for this currently, and who will pay for this in future?*

The table below can facilitate this exercise.

Table 1. Matrix of current and future vision for the market system

Rule / Supporting function	Current situation		Future market vision	
	Who does?	Who pays?	Who will do?	Who will pay?

Source: The Springfield Centre 2014

At this stage, the answers to the 'Who?' questions can be stated as types of market actors. So it would be sufficient to record 'agricultural input dealer', rather than having to specify 'company x'. Also note that the vision of the future market system is not a description of what the project will do, but of what market actors will do. The project cannot be part of the vision, since it is not a market actor itself, but an external facilitator of change in the market system.

Box 10. Managing participation

Participation of market actors in setting the vision for the new market system needs to be managed appropriately. On the one hand, it can increase buy-in to the vision, which is essential to the achievement of planned changes. It can also provide an invaluable reality check on the feasibility of changes, because market actors may identify critical issues that project staff are not aware of.

On the other hand, the process of creating a vision for the future market system may be lengthy, so engage participants in short bursts where their input is essential and decisions are made. Another risk to manage is the fact that some market actors may regard working conditions and gender equality as low priority issues. In these situations, active steps will be required to ensure that these issues are integrated into the vision.

Prioritizing changes

Feasibility of change

It is easy to fill the above table with groups of market actors who would hypothetically be willing to carry out a role and others who would hypothetically be willing to pay for it. But for the changes to be achieved, they must be feasible in reality. Questions to assess feasibility are outlined below:

Are the incentives to make the change big enough for market actors? (see box below)

Do market actors have the capacity to make the change?

Are there any factors which might jeopardize achievement of the change?

What assumptions are made when predicting that the market systems change will achieve/contribute towards changes in target enterprises? Does evidence suggest that these assumptions are plausible?

Can the change be achieved within the project timeframe?

Box 11. Incentives

The vision for the new market system will involve actors playing new roles. For example, an actor might start providing a supporting function, such as selling improved inputs, which was previously absent from the market system. Market actors will not take up new roles unless they are profitable. As such, when planning such changes we must ask:

Would businesses be willing to pay for the new product or service?

Would selling the new product or service be sufficiently profitable?

If businesses cannot realistically be expected to pay for the product or service, or if it is not profitable to sell it, then the vision of the future market system is not viable.

Risks

Risks related to achievement of the changes were detailed above. However, it is also important to consider broader risks. The following questions will help guide this assessment:

> *Are there risks of negative impacts on gender dynamics, working conditions or the environment?*
>
> *Are there risks of conflict between market actors?*

b) Design specific innovations that will achieve planned changes in the market system

The design process now follows the same process that was outlined at the level of target group enterprises in section 1.2, but for businesses in the broader market system, rather than target group enterprises. For any businesses in the market system for which changes have been planned, innovations must be designed that will achieve the planned changes.

Again, the definition of innovations in the market system is the same as it was at the enterprise level: a 'new or improved behaviour, practice or technique adopted by a market player as a result of programme intervention that confers a benefit to the target group. These can be goods or services and/or new roles that support a different way of working' (The Springfield Centre 2014). However, when applied to the broader market system, it is important to note that these innovations can take a wider variety of forms. They may include innovations in rules, such as new regulations or standards. They may also include innovations in supporting functions, such as coordination or provision of information.

Generating a longlist of ideas

There is no one way to identify such innovations. Possible sources are:

- Innovations **already taking place** in a limited number of enterprises in the **target market system**;
- **Ideas** generated by businesses in the **target value chain or broader market system**;
- Innovations **already taking place** in **similar market systems**;
- Innovations in **other value chain development projects**.

As with the innovations designed for target group enterprises, the level of detail in which innovations are designed at this stage will vary.

Prioritizing innovations

Again, it is likely that the above process will generate many ideas. Themes and questions to assist with prioritization are outlined below.

Feasibility of innovation

> *Are the incentives big enough for businesses to adopt the innovation?*
>
> *Do businesses have the capacity to adopt the innovation?*

Are there any factors that might jeopardize the adoption of the innovation?

What assumptions are made when predicting that the adoption of the innovation will achieve/contribute towards the planned changes for the broader market system? Does evidence suggest that these assumptions are plausible?

Is it realistic that the innovation will be adopted within the project timeframe?

Risks

Is there a risk that adoption of the innovation would have negative impacts on gender dynamics, working conditions or the environment?

Sequencing changes

It may not be possible or desirable to achieve all changes at the same time. As such, it is important to consider the sequence in which the changes should be achieved. In particular, these questions should be considered:

Is the success of certain changes dependent on other changes happening first?

Is there an opportunity to achieve a change that is short lived and should not be missed?

Step 3: Design pilot interventions

The preceding steps specified the innovations that the project wishes to see adopted by the market system. The intervention describes what the project will do in order to stimulate market actors to adopt these innovations. At this stage, only the interventions for initial pilots are designed. If a pilot is successful, further interventions will be designed to stimulate uptake of innovations among other market actors.

Generating ideas for interventions

The key question to generate intervention ideas is:

What should the project do to stimulate and enable market actors to adopt innovations, bearing in mind their incentives and capacity?

It should be noted that this question may be asked in relation to a specific partner or a broad group of actors. In some cases, the project will already have a specific partner in mind by this stage. In others, they may have identified a group of market actors - such as input dealers - but not as yet identified potential partners within this group. With this in mind, the level of detail in which the interventions can be designed at this point will vary. However, even if a partner has been identified, a highly specific plan is not possible until negotiations with the partner are complete. This process is outlined in the next chapter. As such, the guidance below is only sufficient to design interventions in relatively broad terms. If further detail is needed at this stage, please consult the next chapter.

What kind of interventions can the project carry out?

In the introductory chapter, it was mentioned that value chain development interventions apply a market facilitation approach. But what kind of interventions can a project carry out under this approach? The BOSS project provides a very straightforward explanation: 'The overarching aim of (a) facilitative methodology is to build local ownership of the interventions and to ensure maximum sustainability'. The main principle of the facilitative approach is to avoid market distortions. In practice, this means that any kind of support is possible, as long as it stimulates systemic change. In general, this means that projects:

- Should not execute any activity independently that another organization or business can do. Try to work in collaboration to execute these, and promote ownership as much as possible.
- Undertake and/or fund activities that catalyse systemic and lasting change.
- Bring organizations and people together, help them coordinate, share and undertake joint work.[8]

No matter what type of support is provided, the project is a temporary facilitator and must not become a permanent fixture in the market. Instead, systemic solutions must be sought that will perform this role after project exit. To better define the activities that a facilitator can provide during a partnership, some common examples are identified in the box below. Again, if further details are required, please consult the next chapter (See section *What kind of support is facilitative?*).

Box 12. Examples of market facilitation interventions

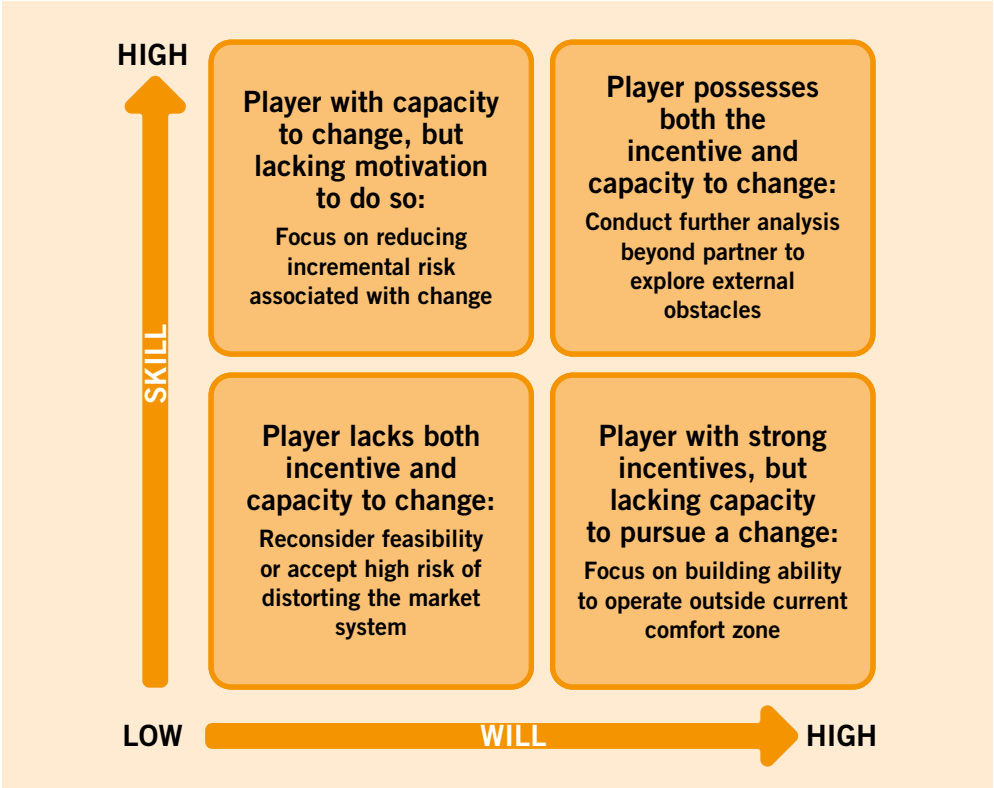
- Research, information and advice
- Technical assistance
- Linkages, coordination and bringing market actors together
- Co-investment with the partner

Matching interventions to incentives and capacities of market actors

The question above asks us to bear in mind the incentives and capacity of market actors. The 'Will-Skill' framework, created by the Springfield Centre, is one tool that can assist in doing this. It asks us to classify the incentives (will) and the capacity (skill) of market actors, then suggests broad strategies for supporting these actors based on their classification. The diagram below provides a summary of the framework.

8. See BOSS 2011b: 19

Figure 19. The "Will-Skill" framework



Source: The Springfield Centre 2014, p. 24

High will, low skill scenario: Support should strengthen the partner's capacity. Specific interventions could be training, advice or mentoring.

Low will, high skill scenario: Support should focus on convincing the partner about the benefits of the change or reducing perceptions of risk associated with the change. Specific interventions could be undertaking joint research to build understanding and evidence, or sharing the costs of a pilot in order to reduce risks to the partner and build confidence in the innovation.

Low will, low skill scenario: If potential partners lack both incentives and capacity, then ideally the project would not work with them. However, in some market systems, they may be the only option. In this case, interventions should aim to provide intensive support, which increases both capacity and incentives, while accepting the risks involved.

High will, high skill scenario: if potential partners have both the incentives and capacity to change, we must ask why they are not doing so already? It may be the case that factors outside the partner's control - such as the regulatory environment - are responsible. In this case, it will be important to identify the factors that are responsible, and respond accordingly.

Prioritizing interventions

The process above is likely to produce a large number of interventions. However, often it is beyond the scope of the project to tackle all these, so there is a need to prioritize. There are several factors that should be considered when doing this

Costs

How much will the intervention cost and are the benefits sufficient to justify these costs?

Feasibility

Will the project be able to recruit sufficiently qualified staff to carry out the interventions effectively? This will be a key concern if the project aims to provide specialized technical assistance to businesses.

Do market actors have the capacity to adopt the innovation? Is it feasible to increase the capacity of the partner?

Do market actors have the incentives to adopt the innovation? Is it feasible to increase the incentives of the partner?

What assumptions are made when predicting that the intervention will cause the partner to adopt the innovation? Does evidence suggest that these assumptions are plausible?

Are there any factors that might jeopardize adoption of the innovation?

Is there sufficient time for partners to pilot and adopt the innovation within the project timeframe?

Risks

Could the intervention cause damage to the market actor?

Could the intervention create conflict between different market actors?

What other interest does the market player have that could cause conflict with an intervention?

Is there a risk that the intervention could have negative impacts on gender dynamics, working conditions or the environment?

Step 4: Documenting the theory of change, results chains and intervention guide

The information from the above planning steps should be documented. This process can start at any point in the intervention design process. However, it cannot be completed until all the above steps have been carried out. Updates to these documents will be made throughout the course of the project. A number of formats can be used to document intervention design plans. The most common formats are summarized below and further details about them can be found in the documents highlighted in the further reading section.

Documenting the theory of change

As mentioned above, each of the intervention design steps contributes material to the theory of change. By this stage, all the information required should be available. The key material should then be documented in narrative form. This includes a summary of the sequence of changes that interventions will cause, culminating in the achievement of the goal. A simple diagram, such as Figure 12 in the introduction, may also be useful to summarize the sequence of changes. As mentioned in the introduction, in addition to the sequence of changes, the narrative should also explain:

- **Causal links and plausibility:** the exact way in which changes at one level will cause changes at the next level. The reasons why this is plausible.
- **Assumptions**: the assumptions being made when predicting that changes at one level will cause changes at the next level. Evidence that supports these assumptions.
- **Risks**: factors that could prevent change at one level from causing change at the next level and the likelihood of this occurring.

Articulating the results chain

Results chains are diagrams that capture the sequence of changes from individual interventions to the project goal. A single chain does not attempt to capture the logic for the entire project, but instead focuses on individual intervention areas.

Construction of the results chain can begin at any point in the intervention design process. Indeed, it may be a useful tool to assist project staff with thinking through how one change will lead to another, and for testing assumptions. However, it will need to be continually updated through the course of the project, to reflect changes in thinking and planning based on project experience.

Any project that seeks to comply with the DCED standard for results measurement must articulate results chains. The DCED maintains a comprehensive website, which includes detailed guidelines for articulating results chains. These guidelines are clear and comprehensive, so no guidance will be provided on this topic here. Instead, readers should consult the guidelines directly for advice on this topic.[9]

Intervention guides

Whereas the theory of change and results chains focus heavily on documenting the causal logic behind changes stemming from the intervention, the intervention guide is a management tool that summarizes a variety of key information about interventions in a concise way, which can be updated through the course of the project. Typically they include the following components:

1. **Systemic constraints (or underlying causes)** that will be addressed by the project.
2. **Vision** for the future market system.
3. **Strategy** for achieving this vision.
4. **Results chain** for the intervention.

9. See Kessler & Sen 2015

5. **Activity progress.**
6. **Observed developments** in the value chain and its market system.
7. **Monitoring and results measurement plan** and **results.**
8. **Calculations** that explain how results based on sample have been extrapolated to the larger population of which they form part.

This information is usually recorded on an Excel workbook, with separate sheets for each point above, which is accessible to all team members. The role of intervention guides in implementation will be considered in the next chapter. Measurement plans and extrapolations will be tackled in the final chapter.

3.4 Intervention design example

The box below provides a complete example of the intervention design process, helping to illustrate what the different steps mean in practice. The project used in this example is the SDC/Helvetas Swiss Intercooperation/Management Development Associates project Enhancing Youth Employment in Kosovo (EYE).

Example 5. Enhancing Youth Employment in Kosovo (EYE)

Project goal and sectors

The EYE project's goal is increased employment opportunities for young women and men graduating from Vocational Education and Training (VET) schools and universities and facilitating their transition from school into the workforce. It therefore tackles underperformance of the labour market system. Sectors selected were ICT, agribusiness, construction and private sector health services. Lack of skilled staff was a major constraint for each of these sectors.

The systemic constraints

The project selected several causes of underperformance of the labour market, which it would address. This example will focus on one of these: ***Failures in the education and training system, resulting in young women and men not having the skills demanded by targeted business sectors.***

The team analysed skills provision as a supporting market system of the labour market and identified the following systemic constraints:

- ***Absence of dialogue between the private sector and education providers:*** *due to the lack of platforms, lack of organization and advocacy capacity in the private sector, and inadequate information on labour market trends and skills needs.*
- ***Enterprises do not offer students and trainees sufficient opportunities for practical training:*** *due to lack of linkages between businesses and training providers and sustainable internship schemes.*

The team wrote a brief analysis (edited here), which became the basis for intervention design:

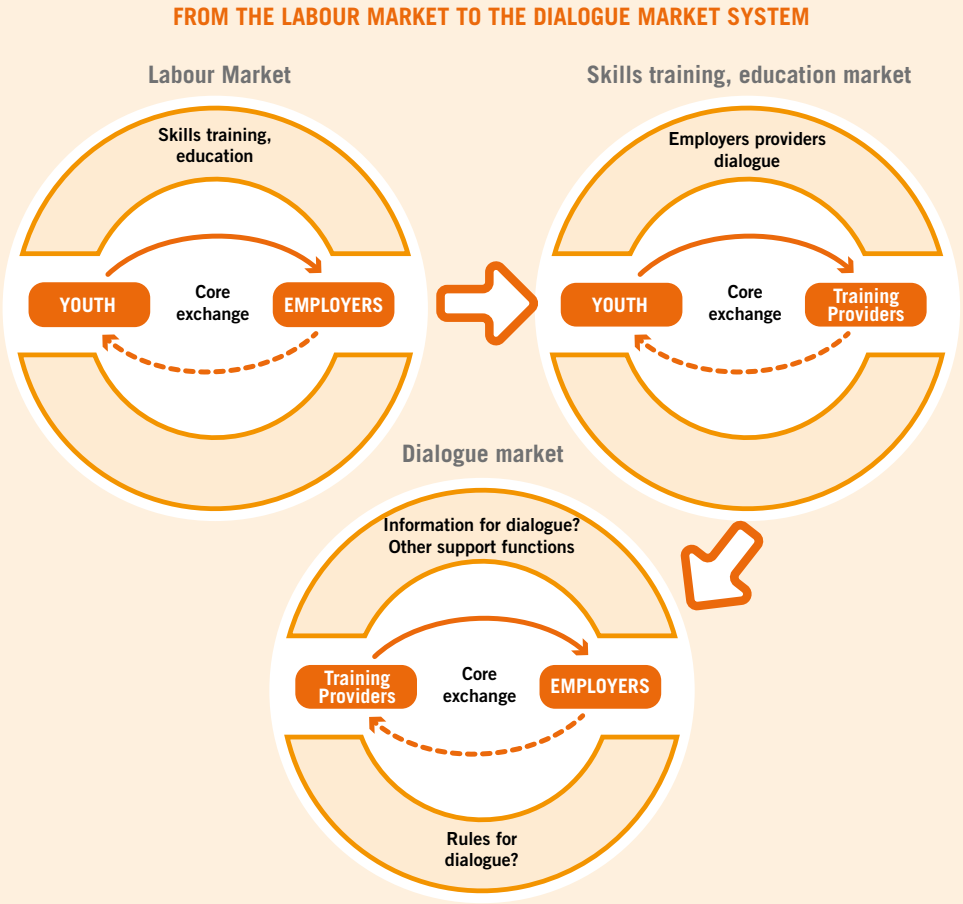
The overall symptom of underperformance of the current skills provision system is the low quality and relevance of skills provided by the training and education system in Kosovo, which do not adequately meet the requirements of the private sector. This undermines growth and creation of more jobs. This is particularly true for vocational schools and short-term training courses, but also for tertiary education. The skill market system is misallocating skills – with a large oversupply of outdated technical skills at VET school level, oversupply of business and law skills at tertiary level, undersupply of higher/tertiary technical skills and few non-formal courses.

This reflects inappropriate curricula, which are not market driven due to poor coordination between the public and private sector. Another underlying cause is that the private sector is still not well organized and has no capacity to identify the skills needed within the sector. The private sector also lacks skills to advocate its needs to education policy-makers. From the government side, there are no structures and processes in place to involve the private sector and respond to their skills needs. The communication between both parties is missing and there is no public Labour Market Information System.

The number of education providers that have placement systems for internships within the private sector is very small. Most of the internship schemes are not sustainable and are subsidized by donors. On the other hand, the private sector companies which have the potential to provide young men and women with practical skills, lack systems to identify and attract them to apply.

The diagram below demonstrates the connection between systems of dialogue, educational systems and the labour market system within which EYE's focal value chains (ICT, agribusiness, construction, etc.).

Figure 20. The labour market system and supporting market systems



Vision for changes in the market system

Changes for the target group and skills training providers

EYE had traced the symptom of insufficiently qualified jobseekers back to the skills training market, where the core exchange is between young women and men and training/education providers. In this market, the change it wanted to see is that:

- Training/education providers would improve their curricula so that young people could obtain relevant skills.

Assumptions

The project specified the following assumption to link the proposed change to the goal:

- Enterprises did have unfilled vacancies and would hire better skilled youth.
- Young people would take the more relevant education rather than alternative courses.

Changes in the skills market system and supporting market systems

The EYE project's vision for the skills market system was summed up as follows:

- Skill providers (public and private), and education policy-makers will be in dialogue to improve the relevance of education and training in the selected sectors.
- Permanent and sustainable dialogue platforms will be in place for VET and higher education, where the private sector can voice their demands for change/new skills to be provided.
- Labour market information (LMI) will be available to support this dialogue.
- The private sector, Business Membership Organizations in particular, will understand its needs in terms of formal skills, and will have the capacity to advocate for them.
- A common and sustainable internship system will be in place at Vocational Education Schools and Higher Education level, education providers, students and parents will institutionalize internships as part of their education and training programmes.

Incentives

The incentives for different actors to pursue this vision were also specified. These were:

- Private sector: the need for better skilled workers to promote growth.
- Education policy-makers: need to report progress in policy reform and to reduce unemployment, which would ultimately increase votes received.
- Educational institutions: mandates and budget allocations.
- Private sector training providers: higher profits from training more people.

Payment mechanisms

A variety of payment mechanisms was identified to pay for the changes required. These included the government budget (for operating a Labour Market Information System), Business Membership Organizations paying for skills gap analysis and enterprises bearing the cost of internships.

Assumptions

The theory of change, which proposed that the above changes would lead to enterprise-level changes, was based on the following assumptions:

- Private and public sector would be willing to engage.
- Dialogue would result in changes that gave young women and men more relevant skills.

There was no certainty that these would happen, so this was therefore identified as a risk. The project also identified the willingness of the government to allocate sufficient funds to educational institutions as a key success factor.

Innovations to achieve desired changes

Several innovations were planned in order to achieve the desired changes in the market system:

Industrial Advisory Board: one innovation the project planned so as to promote dialogue was an Industrial Advisory Board. The project already had in mind the Faculty of Electrical and Computer Engineering at the University of Pristina as a potential partner, given its leadership position in the market. A Board would be low-cost and could be funded by the faculty.

Skills gap analysis: another key innovation planned was for the ICT association to conduct skills gap analysis in order to influence education providers. However, the payment mechanism was not further developed, which later proved to be a weakness.

Labour Market Information System: a final innovation planned was for the government to set up and run a Labour market Information System. The government was already committed to this and the United Nations Development Programme (UNDP) was committed to providing support. However, a critical component was not funded.

Interventions planned

Several interventions were then planned in order to achieve the desired innovations detailed above. These interventions are outlined below. At this stage, the activities were still rather generic and their further development was to be the result of consultations and negotiations with the partners. This is fairly common, and in many situations is the most realistic approach.

Interventions to support the Advisory Board

The project realized that the Faculty of Electrical and Computer Engineering would need to be convinced to engage in dialogue with the private sector, and would need support to establish an Industrial Advisory Board, which had already been attempted, but had failed. The nature of that support was later determined with the Faculty, but it was expected to include developing regulations for the Board, which would have to be approved by the University, and this would lead to institutionalization.

Interventions to support the skills gap analysis

The project also decided to provide support to the ICT association to conduct a skills gap analysis and present the results, which would feed into the dialogue.

Interventions to support the Labour Market Information System

The project decided to provide financial support to the establishment of the Labour Market Information System.

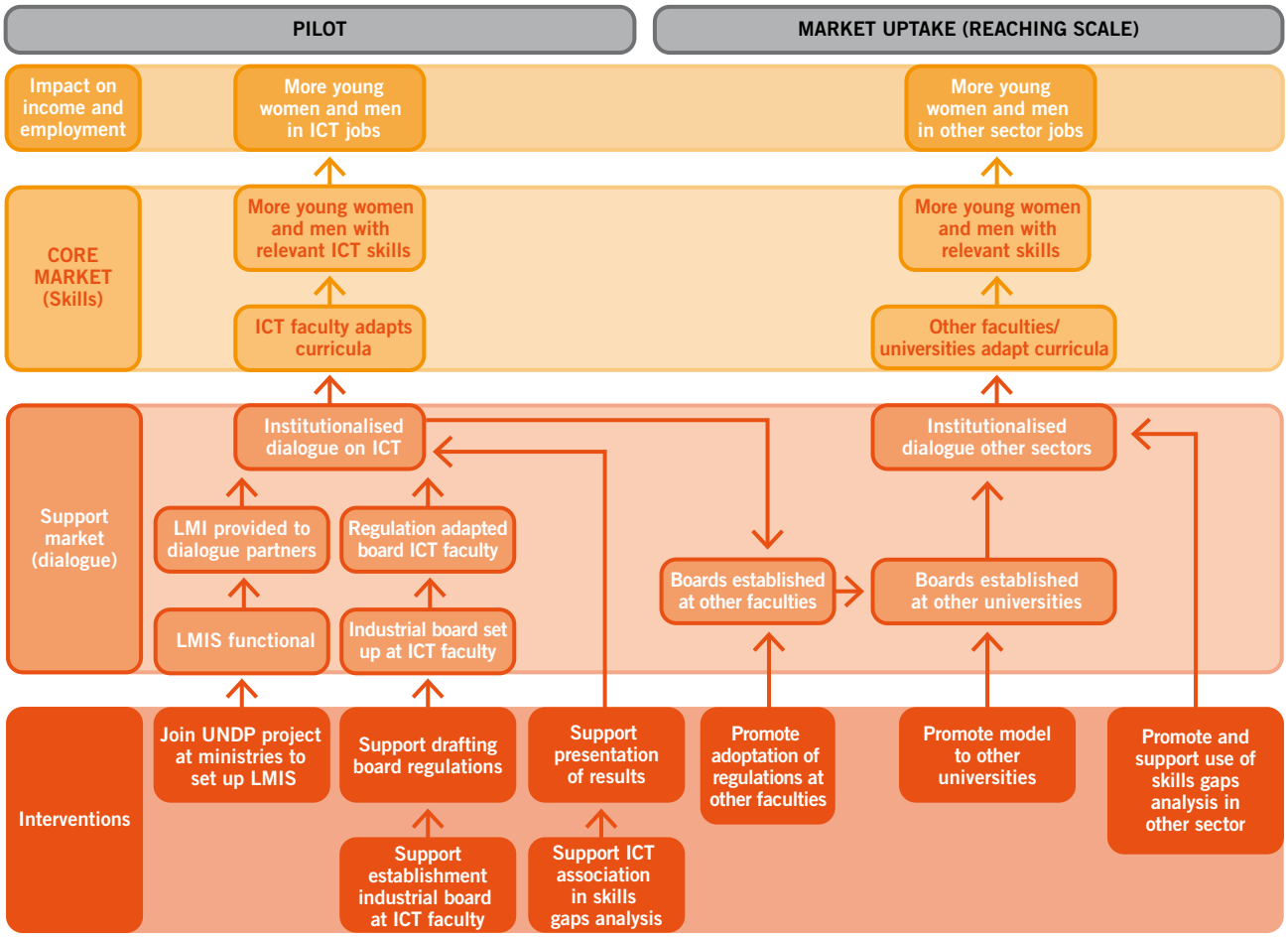
Intervention results chain

Below (Figure 21) is a simplified results chain for the 'dialogue' intervention area, which contains a number of interventions that work on different supporting functions and rules pertaining to the dialogue market system. It is important to note that this is a simplified results chain, which aims to give an overview of how the project interventions will achieve intermediate changes and, ultimately, the project goal. More detailed results chains would include specific interventions, such as provision of financial support.

It is also important to note that the right-hand side of the diagram presents a results chain for the potential scale-up of the dialogue intervention area to sectors beyond ICT. This work is dependent on the success of the pilot, and may be adapted in accordance with lessons from this phase.

Source: Direct communication with the EYE project

Figure 21. Simplified results chain for the 'dialogue' intervention area (EYE)



3.5 Management considerations

Interventions are best designed by a small team (up to 5 members) in a workshop environment, rather than by an individual behind a desk. Team members should include:

- Key project and collaborator staff who were responsible for the research and analysis, to ensure continuity. One of these should take the lead.
- Anyone on the project team (or a consultant) with a broad international background in value chain development. Someone with gender in private sector development expertise.
- The project staff member responsible for Monitoring and Results Measurement, to support the development of logical models for the interventions.

Further reading:

Centre for Theory of Change: Available at: http://www.theoryofchange.org/ [17 Oct. 2015].

Kessler, A.; Sen, N. 2015. *Guidelines to the DCED Standard for Results Measurement: Articulating the Results Chain, DCED.* Available at: http://www.enterprise-development.org/page/download?id=1833 [17 Oct. 2015].

Vogel, E. 2012. *Review of the use of 'Theory of Change' in international development,* Review Report. Available at: http://r4d.dfid.gov.uk/pdf/outputs/mis_spc/DFID_ToC_Review_VogelV7.pdf [17 Oct. 2015].

4. Implementation: how to start and run interventions

4.1 Objectives

Implement interventions that lead to systemic change

Systemic change is the overall objective of the implementation stage. However, the reality of facilitating this change in the market systems within which value chains sit is more complex than simply implementing 'blueprint' interventions. Innovations or other innovations may not be viable or deliver benefits to the target group; market actors may not have the expected capacity or incentives; and most importantly, these are 'living' systems that are difficult to fully understand and hard to predict. As a result, projects must be open to the fact that the interventions they designed may need to change. Operating in a dynamic business environment, it is important for projects to:

- select the 'right' market actors to partner with (i.e. possessing sufficient incentives and capacity to adopt innovations).
- monitor and assess implementation on a continuous basis to observe the progress of market system changes and (possibly) adapt interventions.
- stay focused on achieving systemic change that benefits the target group and be unafraid to stop interventions that are not demonstrating results.

4.2 Key principles

Implementation: learning by doing

Any system involves a web of actors, actions and interactions, that take time and effort to understand. Value chain initiatives should therefore be managed adaptively. A structured, iterative process of decision-making, to react and adapt to new opportunities or changes in markets, helps to improve effectiveness and achieve pro-poor outcomes.

A project team needs to review and interrogate its Theory of Change and results chains on a quarterly or biannual basis, to see if they are still valid, or to change them if necessary. Changes have to be justified and recorded. This forces the team to be clear in its thinking, facilitates learning and leaves a documented trail of what happened, allowing the team to reconsider decisions at a later stage, and to justify changes to donors.

The review process should consider progress towards systemic change, question the Theory of Change or results chain in that light, and end by considering the planned activities. Key review questions include:

To what extent are project partners adopting the developed innovations, their improved/new role? What would happen if the project stopped now?

How are other market actors reacting? What would happen if the project stopped now?

How is the target group reacting? Are there any signs of greater inclusion, benefits?

Is the Theory of Change/results chain (including the vision of the future market system) still valid?

What decisions can be made to improve the outlook of the intervention?

It is important to accept that discontinuing a partnership or an intervention can be an outcome of this process. Interventions do fail and they provide an opportunity for learning. Failures have to be recognized sooner rather than later.

Project reviews of intervention guides and reports are not an occasion for advertising success, but for frank assessment. As mentioned in Chapter 3, intervention guides are also necessary to review the Theory of Change and results chains. In addition, they provide a medium to:

- Report succinctly on main activities. Those in charge of the interventions record what they have actually done and achieved.
- Report on observed developments in the value chain and its market system, to inform intervention review.
- Develop the intervention monitoring and measurement plan with indicators and results as they become available (see next chapter).

A framework for reaching systemic change at scale

A widely used framework to manage facilitation of systemic change, and to measure it, is the Adopt - Adapt - Expand - Respond framework, developed by the Springfield Centre and the Katalyst project. This is a tool to assist with intervention strategy design and monitoring from the pilot to the end of the project. The framework categorizes partners' and other market actors' responses to an innovation facilitated by a project. The definitions of these categories are outlined below, split into two phases: 'pilot' and 'crowding in'.

At the pilot phase

Adopt refers to the response of a project's partner(s) in the pilot phase. It describes a situation when 'A market actor(s) has successfully adopted a behaviour/practice change to the ultimate benefit of the poor or vulnerable producer/worker/consumer, recognizes the value of continuing with these changes irrespective of programme inputs, and has accordingly made plans to invest in upholding these changes and cover any associated recurrent costs'.[10] For instance, with reference to the example in the previous chapter, the University of Pristina's ICT Faculty and the private sector have recognized the usefulness of the Industrial Advisory Board, and plan to continue it.

Adapt is defined as 'The market actor(s) that adopted the behaviour/practice changes pioneered during the pilot has made qualitative and/or quantitative investments

10. See Nippard et al 2014 : 7

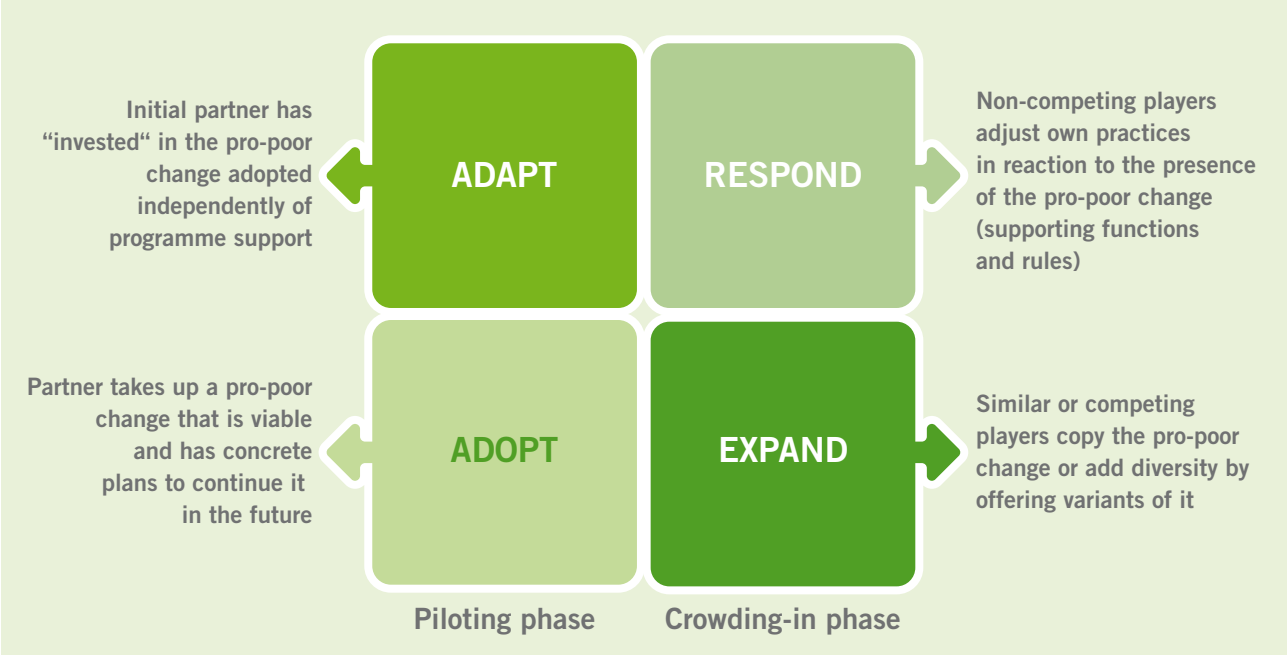
that allow them to continue with or augment changed practices, without programme support. These actions, independent of the programme, constitute an 'acid test' for whether pro-poor outcomes will sustain at any level'. When a market actor has 'adapted' the innovation, it has become part of its usual business practice. For example, the Advisory Board is fully resourced by the University (without project support).

At the crowding-in phase

Expand concerns market take-up beyond the pilot: 'A number of market actors similar to those that pioneered the pro-poor behaviour/practice changes have adopted comparable changes - either pure copies or variants on the original innovation - that are upheld without programme support'. [11] The innovation has become part of usual practice for a larger number of market actors. This can happen without or with project facilitation and support. In our example: Advisory Boards are set up at other faculties and in other universities. A further expansion would be technical and vocational schools following this example.

Respond refers to market take-up by market actors with different roles than those who took up the original innovation: 'The emergence and continued presence of the pro-poor changes have incited market actors in supporting systems to react to the new market reality by reorganizing, assuming new/improved roles, developing their own offers, or moving to take advantage of any opportunities that have been created. The response enables pro-poor behaviour/practice changes to develop further, or evolve, and indicates a new capability within the system, suggesting that it can and wants to support pro-poor solutions to emerge and grow'[12]. Research firms offering affordable skills gaps assessment to BMOs or consultants developing advocacy-related services would be examples in this category.

Figure 22. Adopt-Adapt-Expand-Respond Framework to assess systemic change



Source: The Springfield Centre 2014

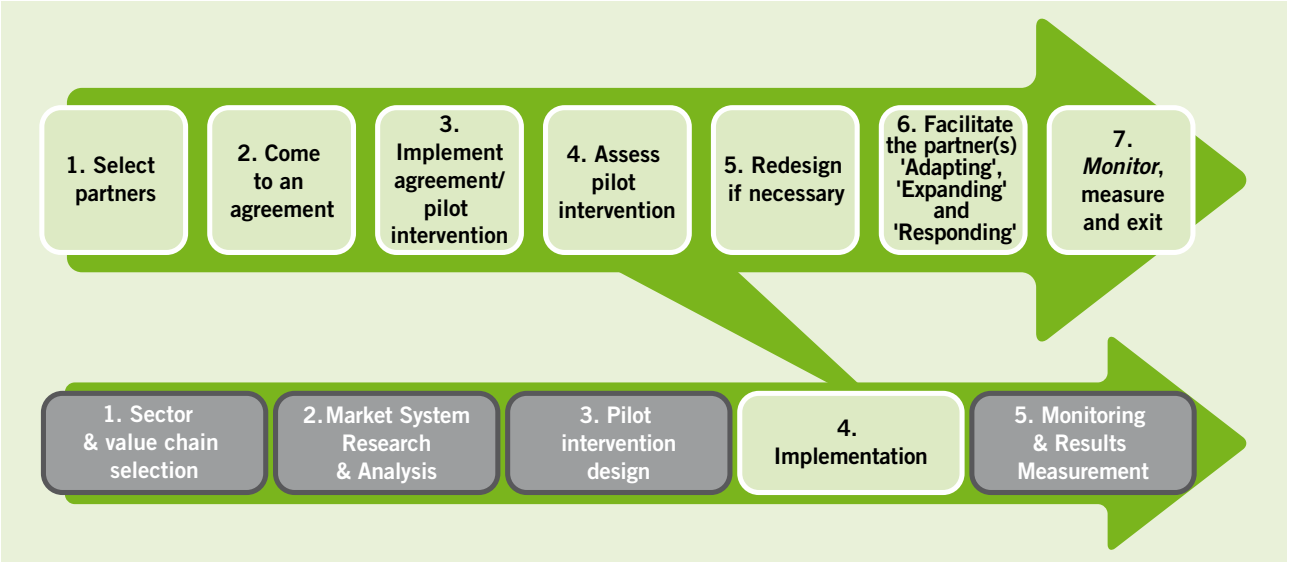
11. See Ibid 8
12. See Ibid

It is important to emphasize that these are not 'steps' in the systemic change process, as market actors may already be 'expanding' or 'responding', while project partners are 'adapting'. They are, however, useful classifications for assessing the extent to which changes are systemic. Assessing progress in this way helps a project to adjust to what is happening in the value chain and its market system and decide on what action is required, e.g. whether to plan activities to facilitate expansion.

4.3 The process

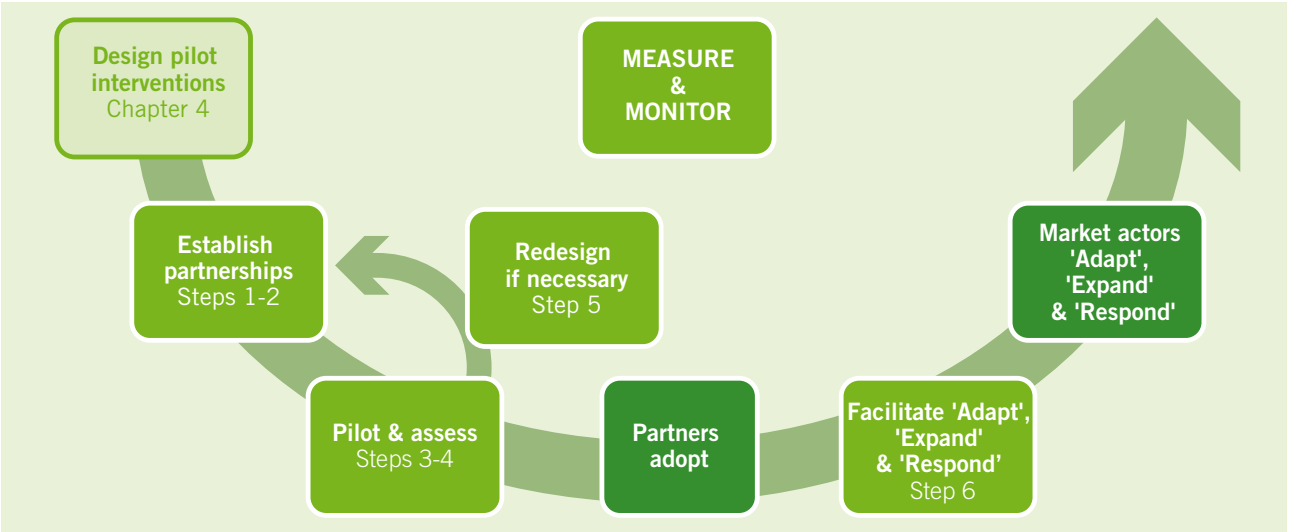
The following step-by-step procedure describes the most common process used to implement interventions, in relation to the entire value chain development cycle. As in the other stages of value chain development, in practice these steps may overlap or be repeated.

Figure 23. The implementation process and how it relates to the entire value chain development cycle



The following figure describes how the implementation process (presented above) relates to pilot intervention design (Chapter 4). The monitoring and results measurement is continuous.

Figure 24. The implementation process and how it relates to pilot intervention design



Box 13. Case study: Private Sector Development (PSD) programme for South Serbia

To gain a clearer picture of the implementation process, in this chapter we will follow the case of the Private Sector Development (PSD) programme for South Serbia. The programme is implemented by South Serbia VEEDA and funded by SDC. The programme selected the furniture value chain, amongst others, to achieve its goal of 'increased income opportunities and quality jobs, particularly for young people and women'. Its analysis indicated that inadequate skills were a key constraint to growth and to young people finding jobs. Outdated curricula and a lack of links between VET schools and the private sector, as well as weak organization and therefore 'voice' of the manufacturers, were the underlying causes. Its vision of the future market system was for VET schools and manufacturers to partner in, and improve training, in line with market demand. Facilitating linkages between the two was the main intervention.

Source: Case study developed with information provided by Mladen Momcilovic

Step 1: Select partners

During the preceding stages of the project cycle, the project team will normally have begun to consider potential partners, though the level of progress made at this point will vary between projects. In some cases, the project team will have identified categories of market actors, such as input dealers or financial service providers, but not a longlist of specific partners within these categories. In other cases, the project may have developed a longlist of potential partners, but not yet begun to assess which of these has the most potential. Finally, in some cases, the project may have already identified a shortlist of specific partners with high potential.

Whatever the starting point, before proceeding to the next stage, it is necessary to have selected specific partners. Selection is best carried out through a series of informal consultations with potential partners in which the project:

- presents and discusses the proposed innovation, to obtain feedback and gauge interest;
- establishes possible partner constraints, in terms of capacity, incentives, potential blockages, risk adverse managers and lack of willingness to invest;
- clarifies the project role in supporting the innovation, which should be modest, as well as the partnership expectations.

Important issues to consider when selecting partners: [13]

Their current role: *How close their current role is to what is foreseen in the future market system. It is more feasible to strengthen the current roles of market actors, or add something similar, than to have them adopt an unfamiliar function. For instance, commercial banks are a more appropriate partner than microfinance institutions, when there is unmet demand for large loans.*

Their incentives to adopt an innovation: *Why would they do so? This should not be limited to how current incentives motivate them in their present roles, but should especially focus on how incentives can be created for them to do*

13. See Roduner & Jenal 2015

something else, or to do it better. In this instance, presenting the business case developed during the intervention design phase is the basis. For instance, local authorities with a local economic development mandate may have strong incentives (mandate, votes) to improve the local economy, and may have some programmes in place. This incentive may be shifted towards organizing dialogue with value chain representatives, to make their role more effective. Weak incentives do not necessarily disqualify a potential partner, but do have implications for the intervention – in this case, the project might have to spend more resources to shift incentives in a prospective partner. In the case where the incentive is too low, or there is no interest, it might be best to find a different partner. (Please see box below for more details on this).

Their capacity to adopt an innovation: *in terms of human and financial resources, networks on which they can draw, and the dynamism of their management. Weak capacity will also have implications for the intervention, for which more capacity building will be needed.*

Their market position: *especially with regard to their market leadership, or size. This is important in relation to scale of impact, and the extent to which success with the partner is likely to be copied by similar market actors (market take-up). Market leaders will be followed by others. On the other hand, very successful firms or organizations often believe that they do not need the benefits that new innovations can bring, and they may see an initiative as potentially threatening. Projects therefore often end up working first with up-and-coming, rather than with well-established organizations first, e.g. with medium-sized enterprises.*

Their social and environmental policies, reputation and political affiliations: *most projects would not want to be associated with market actors who do not respect minimum labour or other social and environmental standards, or who do not at least have policies to put these in place. Partnering with actors who have well known political affiliations will affect relationships with other market actors.*

Box 14. Selecting a partner based on incentives

When selecting a partner to generate decent work, it is crucial to consider its incentives to take on an innovation, because this can have a major influence on the outcomes and sustainability of the project. The type of partner selected may be guided by the following incentives:

- **When there is significant market pressure:** If market pressure is the key incentive for improving decency of work, firms close to the market (e.g. large international buyers) are the preferred partner option. They experience pressure directly, and are in the best position to influence their suppliers at scale. However, not all these firms are willing to take the lead in such cases. Working with groups of firms, or in conjunction with other market actors, such as employers and other business membership organizations, unions and Ministries of Labour, is more effective. The ILO/IFC Better Work programme is one example of this approach, which on this occasion is implemented at global level.[13] However, such initiatives may not be easily accessible to projects on the ground. If this is the case, the only option may be to involve large buyers in a non-partner role, whereby they can put pressure on relevant market actors.

14. See http://betterwork.org/

- **To improve productivity:** If productivity improvement is the key incentive, partnering with firms to run pilots that demonstrate the link between working conditions and performance may be a strong option. Sectorial or other BMOs could play a role, especially in scaling up innovations. Training providers and consultancy firms are the most likely partners for developing services. Where they have national scope, they could also function as scale agents (see example below).
  - **To improve legislation and enforcement:** where legislation and its enforcement is a main incentive, partners would be firms and business organizations, as in initiatives designed to ensure market access. A project would lose the trust of the private sector by partnering one-sidedly with agencies tasked with enforcement. Working with tripartite partners who are relevant to the value chain, and facilitating dialogue between them, is more likely to yield results.
  - **For greater gender equality:** selecting and coming to an agreement with the right partner also has an impact on gender. Greater gender equality by itself is unlikely to be an incentive for most market actors. As such, selecting a partner who aims to promote gender equality as a goal can overcome possible difficulties in demonstrating a business case in the narrow sense. Such partners include women's associations, cooperatives, networks, women's business associations, individual businesses owned or managed by women, or Ministries for Women's Affairs. Here too, key considerations are scalability, and whether working with such organizations will lead to an innovation becoming normal. In some situations, it may be counterproductive, since market actors may consider women's organizations to be marginal, a factor that could affect the potential for market take-up. In other contexts, where the presence of women in a value chain is pronounced at different levels, and gender segregation is strong, working with partners such as these, or even facilitating their establishment, is more likely to be effective, or perhaps the only possible strategy.
  - **Voluntary codes** require working with BMOs, but the involvement of other market actors (reputable government agencies, NGOs, etc.) strengthens their accountability and credibility. The United Nations Global Compact is one such example at global level.
  - Initiatives that build on **informal norms and values** in the local community could work with local leaders, Community Based Organizations (CBOs) and NGOs. BMOs are possible scale agents, and social marketing campaigns can help to facilitate market take-up. The Ghana Decent Work Pilot Programme took this approach, which involved unions and a business development organization. Though this was not in the context of a value chain development initiative, it did focus on three sectors with high-risk Occupational Safety and Health practices.

Considering one or more potential partners

When possible, it is preferable to identify more than one potential partner, for multiple reasons. Numerous partners provide a safety net in the event that negotiations with one partner fail, or if an intervention is discontinued, due to the poor performance of a particular partner. Having alternatives also strengthens a project's negotiating position. As beneficial as it may be to have multiple similar market actors implementing an intervention, in practice, this is not always possible.

If identifying more than one partner is not possible

There are situations when identifying more than one potential partner is not possible. This can be the case when markets are thin and there are few choices for prospective partners, or when interventions are related to policy processes, for which one government department or ministry is responsible.

Using a tendering process

Some projects use a tendering process to select a partner. This increases transparency, and makes it possible to cast a wider net than among the more obvious actors

and existing contacts. However, this process may attract businesses that are more accustomed to working with development projects, and that may not be motivated by commercial incentives.

Partners that 'self-select'

Partners may also 'self-select'. This type of partnership is most often fostered when the overall intention to develop a specific value chain has become known (through workshops or media), and market actors approach a project with an idea or proposal. The market actor's idea may contribute to improving the intervention, in which case, it is necessary to reassess the Theory of Change. Proposals should not be dismissed offhand, unless there is no relation to the vision of the future market system, or if the facilitative approach has clearly not been understood.

If the project cannot find any interested partners

If a project cannot find any interested partners, sometimes projects can support the establishment of one. There are examples of this approach being successful. One example is the ILO's establishment of the Association of Cambodian Development Agencies (ACLEDA), which turned into the largest financial services provider in the country.[15] However, this approach has a high risk of failure, because it is likely to create continued donor dependency and incite market distortions. Generally, this option should be avoided, unless there are no actors currently providing, or looking to provide, the identified role.

Example 6. Selecting a partner for the PSD programme in South Serbia

A range of potential partners had been identified during the research and analysis phase. However, the first results of negotiations were poor, and no appropriate final partners could be identified. VET schools did not share the project's vision. They believed they were doing well and national level policies provided no incentive to change. Furniture companies felt that training was not their responsibility. They lacked capacity and were only willing to partner if the project largely funded activities. Furthermore, actors such as the local National Employment Service Office (which subsidizes training) and the Chamber of Commerce, were unresponsive.

The project did not want to proceed with market actors who had insufficient incentives or commitment to play the roles envisaged for them. The impasse lasted a year, until SECO funded the project to carry out a new, nationwide analysis, which included an analysis of market actors. The project redesigned its intervention to follow a dual approach: in one strand, the project gradually worked towards a model of schools-manufacturers dialogue with newly identified market actors, which resulted in improved formal curricula with practical training opportunities in factories. A better understanding of the incentives of relevant market players helped to bring national level market actors on board, such as the Ministry of Education, the National Employment Service and the Chamber of Commerce, resulting in a shared national-level vision and the creation of a pathway towards scaling-up. The second strand comprised a model of factory-based, on-the-job training centres to meet immediate industry needs. This improved the public sector's understanding of market constraints and helped the schools to adopt a common vision. The scale strategy is centred on supporting more factories to adopt the model.

Through intensive discussions, partners were identified for pilots of both models in two different geographical areas. These were based on 'interest' (incentives), capacity and extensive background checks. Potential partners had also played a key role in defining the interventions.

15. See Clark 2006

Step 2: Come to an agreement

a) Initiate negotiations

After a partner has been identified, negotiations are required to agree the activities and objectives of both the partner and facilitator. These negotiations aim to:

- agree on **details of the innovation**. This could differ from the intervention design, as the partner may propose its own ideas about its role in the market system, and what it can or cannot do. Significant changes may require the project to go back to its vision of the future market system, check its validity, revise if necessary, and ensure that it still serves the initiative's goal and works towards alleviating systemic constraints.
- agree on and **plan a pilot**, to test the innovation and assess it.
- Agree on the partner and project **responsibilities and contributions.**
- Establish that the partner will lead the implementation of the pilot, while the project will play a supporting role. **Ownership lies with the partner.**

Successful negotiations will be followed by a contract, written or verbal, or a Memorandum of Understanding in the case of public institutions.

This process requires good negotiating skills from the intervention team, and the negotiation approach must be tailored to each partner. Patience and an understanding of the wider institutional context are important when negotiating with public partners, and a business-like approach is required during private sector negotiations. When in negotiation, it is important to:

- be well prepared, **know the partner inside out**, and have an end goal of what you want to achieve at the maximum project cost (opportunity cost, financial/technical assistance). This will be useful when impromptu changes occur during negotiations.
- be **clear about the type of assistance** that can be offered. This should mostly take the form of technical assistance, research or providing linkages.
- offer financial assistance reluctantly, if it is required at all.
- **do not appear over eager**, or push for collaboration, which should be in the partner's interest. The partner should need the project more than the project needs the partner.
- **do not show donor and project branding.** This signals dependency and creates expectations that a facilitator will not meet.

During negotiations, market actors will often engage with the expectation that the project will finance all project elements. This perception is usually rooted in their experience with other donor projects. This obstacle takes time to overcome, especially when a project has not yet become widely known and there are no results to demonstrate that the project's approach works. This may lead to interventions being delayed or abandoned (see below). However, in most cases, after multiple rounds of engagement and negotiations, market actors eventually value the facilitation and partnership process.

Example 7. Coming to an agreement to implement the PSD programme in South Serbia

Negotiations with a company that shared the project's vision took approximately three months. As mentioned above, the innovation in this case was the improvement of training curricula in collaboration with VET schools and the piloting of an on-the-job training centre model. Critical issues were how the on-the-job training curricula would be created, the modality for cooperation with the local National Employment Service office, and the level of project co-financing. The project agreed to contribute to the cost of establishing the training centre, help to identify the missing vocational profiles, help to create the innovation and to facilitate early use by other manufacturers. The partner agreed to invest in the centre, conduct the training, employ the best trainees and accept other fee-paying trainees.

Seven manufacturers and a VET school were ready to partner for the improvement of formal training. The project engaged in a dialogue process to come to an agreement. As a result of this dialogue, the project committed to support the development of updated curricula, based on input from the seven companies. It also facilitated engagement between national level stakeholders and partners to support further implementation. All partners committed to the dialogue process, the VET school committed to the new curricula, and the seven manufacturers agreed to accept pupils for practical training. It took approximately eight months to come to this agreement. During this period, the project already started to engage with relevant national level actors to prepare for scale-up.

b) Define the terms of agreement

The agreement between the partner and facilitator should be a quid pro quo. That is, the agreement should spell out as unambiguously as possible that both sides will work together for mutual benefit. An agreement should preferably be in written form and signed by both parties. Even if it is not a legally binding document with penalties, a statement of intent that displays the quid pro quo agreement is important. Legally binding contracts can be considered when a large amount of project resources are at stake. In any case, an agreement should specify the following:

- The **objective** of, and **timeline** for, collaboration;
- The project and the partner **activities**;
- The **in-kind contributions** (if any) of both sides, e.g. staff time;
- The **financial contributions** (if any) of both sides;
- **Reporting responsibilities**. For example, the project may need sales, training manuals or other data from the partner, and the partner will expect a report on the assessment of a pilot. These should be limited to what is useful to the partner.

In addition, it is useful to include:

- A statement that reflects common understanding of **actions after the contract is completed**, e.g. that a partner will consider the results of a pilot, and on that basis decide whether to continue with the innovation post-partnership.
- An **intellectual property statement** that restricts the partner from claiming intellectual ownership of jointly developed outputs of the partnerships (e.g. training materials, business practice changes), though the project must of course respect the partner's own sensitive information, as well as information that relates to partner activities that are unrelated to the project.

When the collaboration involves financial assistance, some projects provide results-based payment. This provides an extra incentive for the partner to fulfil its responsibilities. However, this may indicate that the partner's internal incentives to adopt an innovation are insufficient. This brings us to a fundamental principle: **agreements should reflect a partnership in which the market actor undertakes activities, with support from the project, for its own benefit, and not for the benefit of the project.**

Example 8. Intervention activities of the PSD programme in South Serbia

Pilots of the innovation models, which targeted partners adopting the new innovations, were designed to take 6 months (at different periods).

In the case of on-job training, planned activities included support to developing new curricula, enabling the relationship with the local National Employment office, and bringing in other factories to use the new training centre.

In the case of the formal education training pilot, the planned activities included facilitating dialogue between the VET school and the seven partnering manufacturers, The result was the setting up of a working group to develop new curricula and practical training, facilitating inclusion of local National Employment Service and Chamber of Commerce offices, and advice on the curricula.

What kind of support is facilitative?

What kind of support can be offered in a facilitative approach? The BOSS project provides a very straightforward explanation: 'The overarching aim of (a) facilitative methodology is to build local ownership of the interventions and to ensure maximum sustainability'. The main principle of the facilitative approach is to avoid market distortions. In practice, it means that any kind of support is possible, as long as this incites systemic change. In general this means:

- **Do not execute any activity independently, that another organization or business could perform.** Work in collaboration to execute these, and promote ownership as much as possible.
- Undertake and/or fund activities that bring and catalyse **systemic and lasting change.**
- **Bring organizations and people** together, help them to coordinate, share and undertake joint work.[16]

No matter what type of support you offer, remember that you are a temporary facilitator, and should not play a permanent role in the market. Rather, systemic solutions must be sought that will perform this role after project exit. The box below provides some concrete examples of activities that a facilitator may provide as part of a partnership. However, these should only be treated as examples, as opposed to an exhaustive list. To reiterate the fundamental rule outlined above, ***any kind of support can be provided, as long as this incites systemic change.***

16. See Business Opportunities and Support Services, 2011b: 19

Box 15. Examples of activities that a facilitator may provide as part of a partnership

Research, information, advice:

- Market research, analysis and projections, sharing market information.
- Research and information on new products, services, or technology.
- Access to information on international practice, e.g. how innovations for certain services work in other countries, including through learning visits.
- Assessment of regulatory impact for planned or existing 'rules'.
- Assessment of effectiveness and impact of an innovation.
- Sharing successes of innovations, especially to facilitate wider market take-up.

Technical assistance:

- Development or review of business strategies, plans, manuals, contracting arrangements, services, policies and rules, and performing capacity assessments and capacity building for actors in the value chain, or corresponding supporting functions and rules.
- Strengthening or receiving help form Business Membership Organizations, clusters, or cooperatives.
- Planning and implementing pilot innovations.
- Provision of continuous strategic and technical advice, coaching and mentoring, while an intervention is ongoing.

Linkages, coordination, bring market actors together:

- Facilitation of linkages and business relations between market actors, to funding sources, new markets, new input suppliers and international market actors.
- Establishing a formal or informal coordination mechanism between market actors, or facilitating open dialogue and collaboration, drawing on a project's market neutrality.

Co-investment with the partner:

- In any of the above activities.
- In equipment, if investment is a binding obstacle to a market actor improving or taking on a new cost-sharing role.

Co-financing intervention activities, is this facilitation?

Partners often take a risk by innovating, one that they would probably not have taken without a project. Therefore, cost-sharing is sometimes used as a method of risk-sharing. Most initiatives aim to get partners to share as much of the cost as possible, since sharing increases their commitment and ownership of the innovation. In general, a partner should contribute at least 50 per cent of the cost. However, in practice additional assistance may be funded by projects, in an effort to further develop the innovation and get a partner on board. This assistance funds equipment, research, coordination or information sharing on the success of innovations and is only justifiable if these are not expected to become recurrent market functions.

While private sector market actors can make their own decisions on cost-sharing, those in the public sector are tied to approved budgets, annual planning cycles and bureaucratic procedures. Thus, commitments require more facilitation and time. However, the type of support provided is likely to be similar. Decisions on the kind of support to provide should be based on the three points outlined in previous section, the most important of which is whether it serves the objective of lasting systemic change.

Example 9. Can a piece of equipment be facilitation?

The evaluators of the SDC-funded project Private Sector Development in South-West Serbia, implemented by the Regional Development Agency Zlatibor, originally questioned the project's plan to co-fund virus-testing equipment at a government laboratory as part of its work to develop the raspberry value chain. However, they found that raspberry cold stores had suffered significant losses due to a virus infection, which resulted in shipments for exports being returned. Importing countries required a certificate that berries were virus-free, and the necessary testing equipment was not available in Serbia. Co-funding the equipment with cold store owners, and placing it at an appropriate and capable local institution, established a sustainable support function with a high degree of private and public sector ownership. It was also a 'low-hanging fruit' that strengthened the project's credibility.

Source: Personal communication, with permission of the SDC office in Belgrade

Step 3: Implement the agreement/pilot intervention

The activities agreed in the preceding step are now implemented. The responses to frequently asked questions relevant to common issues that projects experience during partnership are given below:

What should the project do once agreement has been reached?

The project implements the work plan to fulfil obligations and provides the promised support in a timely manner. This is important, as private sector partners often complain about bureaucratic procedures and other delays that can jeopardize an otherwise good relationship. Doubts about the project's ability to deliver (e.g. impossible to find a consultant on time, payment is delayed) should be discussed with the partner as soon as possible, so that both sides can arrive at a practical joint solution.

During the partnership, the project should remain in continuous contact with the partner to monitor progress, answer questions, provide advice and help solve problems. This should be neither intrusive, nor appear to control activities.

What should the project do when the partner does not fulfil its obligations?

Firstly, the project must find out why. Reasons are usually related to weak incentives and capacity, conflicting partner priorities, or misguided views among management. Unforeseen events, such as changes in the market, or a bad agricultural season may also be responsible. Discuss these with the partner and consider how they can be addressed. This may require additional intervention activities, such as capacity building. If this situation is recurrent, the project may have engaged with the wrong partner. Partnerships do sometimes fail, and projects should accept and learn from these failures.

What should the project do when the partner asks for changes in the terms of the agreement?

A project should generally hold partners to the terms of the agreement. However, if the context within which the partnership was made has changed substantially, find out how this affects the partner and the agreement, then renegotiate if necessary. This should not be an open-ended process.

What should the project do if the partner wants to change the innovation?

Changing the innovation after it has been discussed in detail to come to an agreement is a fundamental change, but can be possible. Again, it is essential to find out why the partner seeks this change and discuss it. Additional research may be required to inform changes.

What should the project do if the innovation does not achieve planned results?

Please see the subsequent steps for a detailed description of what to do in this situation. However, in general terms, if an innovation does not achieve the planned results, the project team will need to investigate why they have not been achieved. Often, results are not achieved because activities are inadequate or poorly executed, or because the assumptions behind causal links in the theory of change are incorrect. Depending on the findings of the project, it may be necessary to redesign or discontinue the intervention.

Example 10. Overcoming challenges in pilot interventions

In South Serbia, the two pilots were implemented as planned. However, both required intensive facilitation to mitigate a number of issues encountered. With the on-the-job training pilot, an issue arose with the training certification process, requiring additional facilitation activities. The issues related to the certification process were addressed by the Association of Serbian Craftsmen, which had also supported curriculum development. Given the multi-partner nature of the second intervention, facilitating progress was slower. However, the VET school took the leading role. Project facilitation led to the Working Group addressing changes to by-laws related to safety on work and other important elements related to the Labour Law and Education Law.

Step 4: Assess the pilot intervention

Pilots are usually assessed formally, by the project or sometimes by a research institution, with the partner in a supporting role. The assessment focuses on the following questions:

Based on the definitions provided in the Key Principles section above, should the progress of the partner be classified as 'Adopt', 'Adapt' or neither? This classification will inform the strategy employed in steps 5 and 6.

Have the activities been implemented as planned, and if not, why not?

Does the innovation work for the partner, and if not, why not? This considers indicators such as outreach, sales, profits, return on investment, market position, partners' and other market actors' perceptions.

If the project left now, would the partner return to its previous behaviour? This considers the model sustainability and partner dependencies, if any, on the project.

Does the innovation work for the target group, and if not, why not? This considers outreach to the target group, its inclusion in the value chain, use of what has been offered to them, changes in perception and behaviour and benefits

realized in their enterprises (decent employment and income), for both female and male target group.

Have there been any unintended negative or positive effects, for the target group or other groups, and why? This considers issues such as displacement (jobs for some have displaced jobs for others), effects on women and decency of work, and the environment.

In which ways could the innovation be strengthened, or if it was not successful, what could be done to address the causes or negative effects? This may require the formulation of a new strategy or a new partner. Often, projects become attached to partners when things do not go as planned. Projects need to be careful in this regard and remain neutral.

The assessment of the pilot intervention may reveal that partner costs were higher than expected, or that unforeseen problems affected the intervention. It is important to investigate whether:

- Interventions were well-planned and executed;
- Critical changes took place in the market system;
- Assumptions held true;
- Any important underlying constraints were missed in the analysis;
- Any unforeseen factors influenced changes in the market system.

The assessment's methodology usually comprises a mix of quantitative and qualitative tools:

- Use of data provided by the partner;
- Interviews with management or other staff employed by the partner;
- Interviews with other relevant market actors;
- Surveys or focus group discussions with the target group, and sometimes with a control group.

Precise indicators and methodologies need to be defined in the intervention guide's measurement plan (see next chapter). These will ensure that data collection is gender-specific (e.g. includes women-only focus group discussions), and that data collection and analysis are sex-disaggregated.

Continuous monitoring and assessment of gender issues at different levels in the Theory of Change is crucial to ensure that interventions enhance the participation of women in value chains, increase the benefits they receive from participation, and to ensure that changes do not affect women negatively. With this in mind, consideration of gender issues needs to be integrated into the collection and analysis of data relating to the questions above. Furthermore, there are a number of specific gender-related risks which should be considered at this stage. These are summarized in the box below.

Box 16. Gender-related risks that must be considered

Because women may be less visible in some value chains than in others, and the effects of change are not always obvious, projects need to consider whether any of the issues below are present in the target value chain:

- Women's limited access to information, services, technology, training, business linkages and markets does not improve or declines, while access for men is strengthened.
- Men are absorbed in the higher status and better paying activities; women remain in unpaid, low-paid and unskilled work.
- Women are displaced from existing economic activities by men, who make use of their control over land, other assets and access to services to take up new opportunities.
- Exclusion of women increases because of higher entry barriers in 'upgraded' activities.
- Working conditions for men improve, but not for women, e.g. they obtain no or temporary contracts, less pay for the same or similar work, no social security or insurance.
- No or temporary contracts lead to less unionization among women, and therefore exclusion from collective bargaining. This contributes to further inequality.
- Women's workload, which includes domestic and care work, increases disproportionally, with little or no improvement in return. This may have a negative impact on childcare, health and nutrition, increase child labour and reduce school attendance.
- Workload and incomes increase, but women have no say over how income is spent.
- Women's power in the household decreases, due to men bringing in a larger income share.

Example 11. Does it work?

In South Serbia, assessment of pilot interventions began while these were still being carried out. In the on-the-job training model, training was being conducted successfully over a period of about three months and 10 out of 30 trainees were placed in jobs (to date, 65 out of 130 trainees have been employed). The partner intended to continue the centre, and other firms expressed the intention of using it on a fee-paying basis.

The improved dialogue resulting from the second intervention model led to new in-school and in-factory curricula being accepted by both the private sector and the VET school, which were submitted for approval to the Ministry of Education. The pilot interventions were therefore successful, resulting in adoption of the two models by the partners.

Step 5: Redesign the intervention strategy if needed

If the assessment shows that the innovation was not sufficiently successful, the intervention must be analysed in depth. In practice, signs of ineffectiveness may have already been present during the pilot phase or the beginning of implementation. In such cases, projects may make adjustments to the intervention.

What should the project do if the innovation does not deliver the expected benefits for the target group?

In some cases, the innovation is perfectly viable for the partner, but does not achieve results at the enterprise (value chain) and impact levels (on the target group). For example, the intervention may be profitable for the partner, but productivity and working conditions in target group enterprises do not improve. In this case, the innovation, the vision of the future market system, and the link between enterprise performance and the project's goal, all require investigation. Once analysed, the project will

have to repeat the intervention design steps (in Chapter 3). The possible outcomes of this process are typically:

- The partner finds that the changes in the innovation are sufficient for 'Adapt', with or without project support.
- A second pilot, with modified activities, has to be undertaken, with the same partner or another partner.
- Intervention is discontinued because the innovation does not result in target group impacts.

Example 12. Learning and redesigning

As seen in the example from South Serbia, intervention design was a continuous process, rather than a discrete step. This is often the case in practice. In order to overcome the challenges, the project made a shift towards involving national level policy-makers, without whom scaling up the model with the VET school would not be possible. Its planned intervention was to support advocacy initiatives to the Ministry of Education, using the Working Group, in order to have the on-the-job training model accepted as policy. The incentive for companies to take part in this was a common understanding of the core problem, and the joint vision of improved formal vocational training as an effective and sustainable long-term solution. All the companies could make more profit and become more productive if more skilled labour were available.

Step 6: Facilitate the partner(s) 'Adapting' 'Expanding' and 'Responding'

If a partner is successfully applying an innovation, the project needs to establish whether it plans to invest in applying this throughout the organization or enterprise ('Adapt'), and/or to expand it to new geographical areas. If it does, there is potential for the change to become systemic.

The aim is that *independent* partner activity and investment will take place. In practice though, some partners may not be ready for this. Partnerships are therefore often continued. The nature of the partnership should change, however. Specifically, the balance should shift towards technical and strategic support, rather than co-investment.

Before facilitating market uptake, projects should wait until a partner is independently 'Adapting' an innovation, as this is the only sure sign of its viability and potential for systemic change. Monitoring what is happening in the market system is essential at this stage. Other market actors may be taking up the innovation ('Expand'), or responding to it, without project support, and if this is the case, more facilitation may be harmful rather than helpful, as it may create false incentives and distort the market.

Once a project has decided that it is necessary to facilitate uptake by other market actors, it is time to go back to the intervention design, review the tentative 'Expand-Respond' strategy and develop detailed activities. Strategies for trying to draw in more market actors include the following, alone or in combination:

- **The extensive, scattershot approach:** inform as many market actors about the innovation as possible, through workshops, conferences, Business Membership Organizations and on-site visits, in the expectation they will copy it, with or without project support.
- **The intensive, targeted approach:** meet market actors individually, as potential partners.
- **Tendering**: this is only useful if you plan to provide support.

Some projects take the stance that adoption of proven innovations should be done independently by market actors, or should at least be fully funded by them. In theory, the innovation has given the project's pilot phase partner an advantage, which other actors should want to catch up with. Independent copying does in fact happen. In practice, however, many market actors may still consider this a risk that they are not ready to take on their own, or they may not have the capacity. Projects should, however, decrease their level of assistance since the level of risk has been reduced. The focus should be on less distortionary type of support: technical assistance, capacity building, access to information, building linkages, among others. Supporting market actors to pilot the innovation, with a reduced level of assistance, can be a feature of new partnerships.

Example 13. Adapting, expanding and responding

In the example project that we have been following throughout this chapter, during implementation of the on-the-job training pilot the team had already organized visits by firms from other areas, one of which requested support to copy the model for other skill profiles. The project decided to support the firm, considering that most trainees in the pilot were being trained for the existing labour market demand and thus would find jobs. Key support included assistance to curriculum development and certification by the Association of Serbian Craftsmen. Both the first and the second firm 'adopted' and then 'adapted' the model, continuing it without project support, and making it part of their normal business process. Other factories (23 so far) are making use of the training centres on a fee-paying basis. The National Employment Service office continues to subsidize training for unemployed youth. While expansion to additional factories has not yet happened, the scope for this is limited by the size of the sector and country. The two centres meet much of the need for short-term training for specific job profiles.

As for the formal training model, the Ministry of Education accepted the curricula that resulted from the Working Group dialogue, and the project facilitated the planned advocacy, with the VET school taking the lead. It took a year to achieve this result, and required further advocacy to involve the Ministry of Economy. The Ministry of Education eventually adopted the model and decided to sign an MoU with the project and SDC. It has thus become the 'scale agent' for this change in the market system. The MoU includes the establishment of a new national level sector Vocational Education Board for the furniture industry, with members from policy level, schools and industry representatives. It is expected to include members of the original Working Group. The Board will provide input on national level curricula, to effectively bridge the gap between industry and the schools. It will initially be facilitated by the project and there is already discussion about including boards in other sectors.

Key factors to successful implementation of the interventions were: not starting an intervention with partners whose incentives were insufficient; a second analysis of national scope, which helped to develop better innovations and find partners; recognition of the importance of public sector partners and of bringing them together with the private sector; flexibility in adapting interventions; pilots that demonstrated success; and, for the formal training model, engagement, with partners, at policy level to reach scale, and to make its model part of the 'way things are done'.

Step 7: Monitor, measure and exit

Whether a project takes a minimalist or an active role in stimulating market uptake, it should continue to monitor what is happening in the market system and value chain. Details about how to design and implement monitoring systems are provided in the next chapter. The information from this system, together with information observations and ad hoc research where necessary, should be used during implementation to answer the following questions:

Is change proving to be sustainable and systemic?

Why is this so (or not so)?

Is further facilitation required?

If the answer to the first question is positive, and to the last question is negative, then the project can withdraw. A useful way of reflecting on the need for further facilitation is asking the following questions, for each of the stages of systemic change:

Table 2. Guiding questions for the four stages of systemic change

Stage	Question
Adopt	If the project left now, would partners return to their previous way of working?
Adapt	If the project left now, would partners build upon the changes they have adopted without the project?
Expand	If the project left now, would pro-poor outcomes depend on too few people, firms, or organizations?
Respond	If the project left now, would the system be supportive of the changes introduced (allowing them to be upheld, grow, and evolve)?

Source: Nippard, D., Hitchins, R., Elliott, D. 2014

If there is no need for further facilitation, the project should resist the temptation to prolong partnerships, because this can undermine the achievements made. If the project has followed the market facilitation approach, the design and implementation of interventions should always have led the project to play a role as temporary facilitator in the market system, rather than that of permanent actor. As such, it should not be necessary to plan additional components of the exit strategy at this stage.

Example 14. Monitoring and measuring

Once a comprehensive Monitoring and Results Measurement (MRM) system was in place, the project used results chains and the 'Adopt-Adapt-Expand-Respond' framework to inform decision-making and support knowledge accumulation via assessment findings. Results have been measured throughout the intervention and the project continues to do so. This has been another major factor in its effectiveness, as the project has been able to advocate for change based on facts, and respond with further facilitation when needed.

While the project's analysis was not examined from a gender perspective due to lack of necessary expertise, it has since developed gender-sensitive results chains and monitoring plans, with better defined indicators for women and sex-disaggregated data. This has improved the project's ability to monitor effectiveness on inclusion of, and impact on women. Each results chain was redesigned to include a Women's Economic Empowerment indicator, such as 'number of trainings for profiles suitable for women'. This led to design and implementation of training for profiles in which women are usually employed, such as leather sewing.

4.4 Management considerations

Implementation team composition

Implementation teams are usually structured on a per intervention basis, with management responsibility assigned to one intervention manager. This management structure is effective in providing clear definition of team responsibilities. The remainder of the project team remains heavily involved, so that members acquire in-depth knowledge of the value chain/intervention and develop strong relationships with partners and other market actors. Within this structure, a risk is that 'silos' develop within the project, and connections or synergies between interventions are not explored. The project team should include the following roles:

- **Project management:** ensures overall coherence of the project; provides technical inputs and assists in developing relations with high-level market actors.
- **Monitoring and Results Measurement (MRM):** requires the intervention manager and the MRM manager to work together to monitor and assess progress, as well as to plan and perform substantial data collection.
- **Gender specialization with private sector development expertise:** ensures that the gender implications of an intervention are taken into account in line with project goals. This should be a mandate for each of the project team members, rather than being outsourced or assigned to one person in the team.
- **Other team members:** provide continuous intervention review, function as a sounding board and explore synergies. In addition, it is useful to assign one team member to stand in for the intervention manager, as necessary.

This team works in close collaboration with partners and other market actors, who take the lead in putting in place and expanding sustainable solutions to the underlying causes of underperformance. Implementation also requires frequent consultations and data collection exercises with the target group, to assess whether these solutions have achieved the desired impacts.

Learning and flexibility

Learning and flexibility are key to successful implementation. Project documents or plans need to be formulated to promote these characteristics. Funding or implementing agencies that require detailed logframes with specific outputs, such as '100 people trained on ….' will need convincing that this is not suitable to a systemic approach in value chain development.

Financial delivery rates

Financial delivery rates and pressure to spend are the bane of projects aimed at generating systemic, lasting change. This can be mitigated by sensitizing the donor beforehand about the approach taken, and by frequent communication about progress. Also, having a large budget is not necessarily useful. 'Less is more' is often heard in value chain development projects. Those with few funds are forced to focus on 'soft' facilitation and may achieve more in the long run. Under pressure to spend, projects may be tempted to finance interventions that do not contribute to systemic change, and may cause market distortion.

Pressure to demonstrate results

The pressure to demonstrate quick and visible results may result in projects 'buying impact' by funding interventions to generate quick wins that they know are not sustainable. This is not value chain development and incurs a risk of market distortion. A better approach is to communicate frequently and honestly, so as to keep donor and other stakeholders' expectations realistic and their focus on the need for systemic change.

Project visibility

Project visibility is a frequent point of contention. Donors and implementing agencies like visibility. Projects that attempt to facilitate change in a business-like manner, and wish to be perceived differently from direct assistance programmes, do not generally benefit from having a high profile. However, with a low profile, market actors in the public or private sector may not see a project's contribution. ILO projects may also benefit from their perceived status of honest broker. Some projects tackle this dilemma by developing a targeted communication strategy, tailoring information so that the project's visibility is minimized where necessary. This is recommended practice.

Managing risk

No project likes failure, or to admit failure, but working with market actors and facilitating market system change for the benefit of target groups in value chains requires risk-taking and an entrepreneurial mindset. This does not mean taking unreasonable risk, but some level of risk must be accepted. Again, the level of risk can be substantially reduced through good research, piloting on a small scale, working with more than one partner and having a portfolio of several interventions.

Further reading:

Allana, A. 2014. *Navigating complexity; adaptive management at the Northern Karamoja Growth, Health, and Governance Program,* Engineers Without Borders, MercyCorps. Available at: http://beamexchange.org/en/resource-detail/resource/169/ [17 Oct. 2015].

Nippard, D., Hitchins, R., Elliott, D. 2014. *Adopt-Adapt-Expand-Respond: a framework for managing and measuring systemic change processes,* The Springfield Centre for Business in Development. Available at: http://www.springfieldcentre.com/wp-content/uploads/2014/06/2014-03-Adopt-Adapt-Expand-Respond-Briefing-Paper1.pdf [17 Oct. 2015].

Ripley, M.; Nippard, D. 2014. *Making sense of messiness; Monitoring and measuring change in market systems: a practitioner's perspective,* SAMARTH Nepal Market Development Programme and The Springfield Centre. Available at: http://www.springfieldcentre.com/wp-content/uploads/2014/03/2014-02-Making-Sense-of-Messiness1.pdf [17 Oct. 2015].

The Springfield Centre. 2014. *The operational guide for the Making Markets Work for the Poor (M4P) approach, 2nd edition funded by SDC & DFID.* Available at: http://www.beamexchange.org/en/guidance/m4pguide/ [17 Oct. 2015].

Roduner, D., Jenal, M. 2015. *Effective partnership with the private sector (1-3),* report, SDC e+i network. Available at: http://beamexchange.org/en/resource-detail/resource/219/ [17 Oct. 2015].

MercyCorps. 2015. Private sector engagement tool kit. Available at: https://www.mercycorps.org/research-resources/private-sector-engagement-tool-kit [17 Oct. 2015].

5. Monitoring and Results Measurement: measure results to prove and improve

Monitoring and Results Measurement (MRM) is key to the success of value chain development projects. This chapter provides a brief introduction to the core principles of MRM for managers and team members, all of whom have critical roles to play. Because results chains were covered in Chapter 3, here we will focus on indicators and data collection, assessing system change, attribution and managing the system for measurement.

5.1 Objectives

Measure results to improve performance

Theories of change and results chains provide no more than a set of hypotheses about how an initiative's goal might be achieved. MRM enables you to check whether the theory is holding true in reality, and to review and adapt strategies, activities and partnerships in response. The main objective of MRM is therefore to **support good decision-making** that can lead to continuous improvements in performance and impact.

The second objective of MRM is **accountability**. Funding agencies will want to know what results have been achieved with the money they spent. Good MRM enables initiatives to report credibly on what 'value' was achieved.

5.2 Key principles

The DCED Standard for Results Measurement

The Donor Committee for Enterprise Development (DCED) Standard has been referred to in previous chapters. The DCED Standard specifies eight elements that provide the basis for a monitoring framework, which will allow programmes to successfully learn and adapt, based on the data they collect (see Box 17). These elements also help programmes to measure results, allowing change to be attributed to interventions with a reasonable degree of rigour, giving greater credibility to self-reported results.

The ILO is a member of the DCED and promotes the use of the Standard in all value chain projects. This chapter distils key guidance on applying the Standard, with particular attention to measuring decent work and gender equality. The DCED maintains a comprehensive website, which provides detailed guidelines for each of the eight elements.

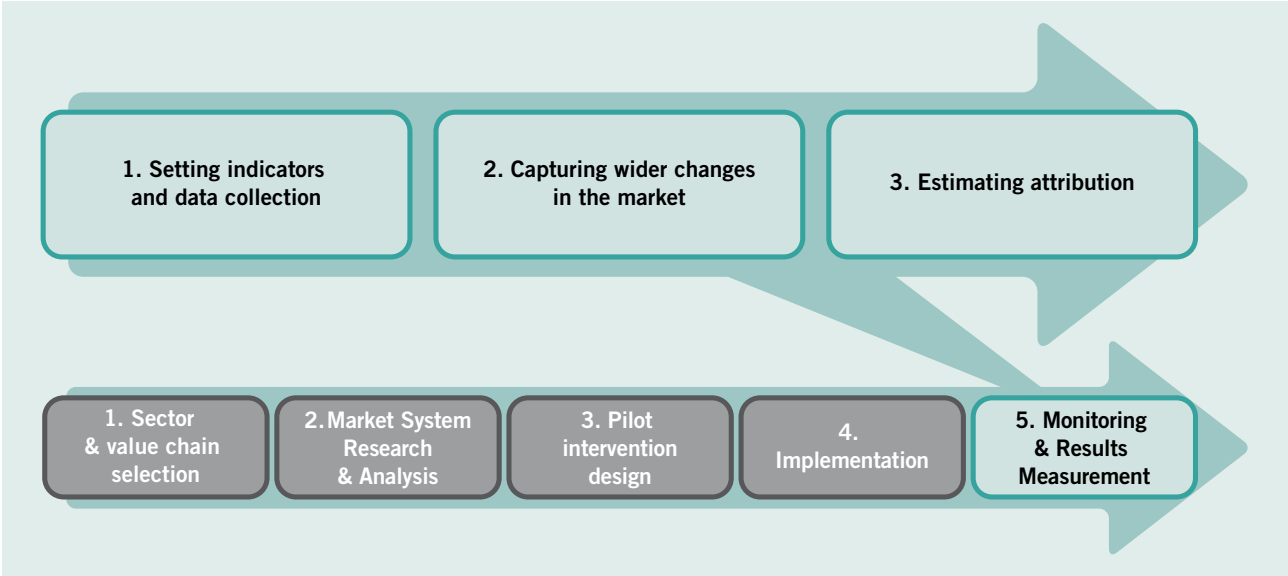
Box 17. The elements of the DCED Standard

1. Articulating the results chain or programme logic
2. Defining indicators of change based on the logic
3. Measuring changes in indicators, applying good practice
4. Estimating attributable changes
5. Capturing wider changes in the system or market
6. Tracking associated programme costs
7. Reporting results in a responsible way
8. Managing the system for results measurement

5.3 The process

The MRM process consists of a series of steps or elements to be undertaken. The following steps describe, however, not a linear process, but rather an iterative one, which allows for revision and improvement of the MRM system as interventions are implemented.

Figure 25. The MRM process



5.4 Indicators and data collection

Choosing indicators

Each 'box' in the results chain requires at least one relevant indicator. These indicators are what a project will measure to assess whether the expected changes are occurring in reality. Indicators should be:

- **Relevant** to the expected change;
- **Precise**. For example, rather than '% increase in productivity', the indicator should define what is meant by productivity;

- **Measurable**;
- **Time-bound.** A timeframe should always be specified;
- **Realistic**. Bear in mind that measurement has resource implications;
- Capable of producing useful information for **decision-making** purposes.

While indicators can be quantitative or qualitative, a combination of both is preferable. Programmes often choose to define and **aggregate** a small number of indicators at impact level. Common impact indicators in value chain development include:

- **Scale (outreach):** the number of target groups/enterprises that received a financial benefit as a result of the programme.
- **Net attributable income change:** additional sales minus additional costs accruing to target groups/enterprises.
- **Net additional full-time equivalent jobs created.**

While the DCED Standard recommends using a full-time equivalent job creation measure, Table 3 sets out a range of possible alternative indicators that can be used to capture changes in the **quantity of jobs**. Wherever possible, these indicators should be sex-disaggregated.

Table 3. Possible indicators to measure job quantity

Indicator	Considerations	Examples of use
Net additional full-time equivalent (FTE) jobs created	• Recommended in the DCED Standard. • Net means an overall increase in the employment rate, taking into account jobs created minus jobs lost, and not counting job creation for someone who would have had or gained a job anyway. • Requires a solid counter-factual to measure.	See Fowler and Markel (2012) for a range of projects using FTE measures.
Gross additional full time equivalent (FTE) jobs created	• Additional means over and above the baseline 'pre-intervention' state. Counts FTE jobs created minus jobs lost in enterprises, but without considering the deadweight and substitution effects. • May be more useful for measuring informal wage labour (or where no clear control group exists).	In Timor-Leste, the ILO's BOSS project estimated changes in the time spent cultivating crops over multiple seasons to arrive at FTE jobs.
Change in number of positions in enterprises (gross/net)	• Counts new positions created in firms, less positions destroyed. • Can be disaggregated by full-time/part-time employees (requires clear definition of part/full time). • Suits more formal enterprises that keep good records.	The ILO's global SCORE project estimates changes in the number of employees (paid full and part-time positions) in partner enterprises.[16]
Net/gross full-time equivalent jobs maintained	• Similar to additional FTE, but with the intention of showing roughly the same quantity of jobs over a period of time. • Can be useful for checking that an initiative is 'doing no harm' on jobs, for example when introducing new technologies or agri-mechanization.	See Fowler and Markel (2012) for an example from Nigeria about a tractor leasing service, where anticipated impact on manual labourers was likely to be either neutral or slightly negative.

17

17. See SCORE resources on monitoring and evaluation: http://www.ilo.org/empent/Projects/score/facet/lang--en/index.htm?facetcriteria=TYP=ProjectDocumentation&facetdynlist=WCMS_319533

Number of new positions saved in enterprises (gross/net)	• Saved is synonymous with sustained, i.e. a fixed level of employee numbers over a given period of time. • Similar to the count of positions, above, more suited to formal enterprises: can be used in contexts of declining competitiveness or job destruction.	A project in Uganda estimated that 25,000 jobs were saved by an initiative to develop media market systems that eventually led to exposing an ailing outgrower scheme.[17]
Percentage of target group who were in part, full, temporary or permanent jobs	• Measures changes in the job placement (and hence unemployment) rate of a given group over time. • Often difficult to measure for systemic interventions, but can be combined with a tracer study methodology for initiatives responding to supply-side (skills) constraints.	Generally accepted performance metric used by the Global Impact Investing Network.

Projects may also find it useful to measure the impact that they have on **working conditions**. The ILO has developed a manual on decent work indicators.[19] These are mainly focused at national level and are most useful to interventions that set out the legal or regulatory framework affecting working conditions. Depending on the country and sector in question, further ideas for indicators can be identified by reviewing product certification initiatives, such as sustainable or fair trade initiatives, or industry standards. For example, the Bonsucro Production Standard for sugar cane contains various indicators relating to human rights and labour standards.

It is also advisable to select a few relevant indicators for working conditions that can be expected to be affected within the project period, rather than trying to cover every aspect of decent work. Table 4 provides examples of indicators that have been used by past projects.

Table 4. Possible indicators to measure working conditions

Aspect of working conditions	Selected indicators	Considerations
Wages	• % workers with an income per capita above the poverty rate • (or a national living wage). • Changes in the Progress out of Poverty Index (PPI) of the working poor.	Can become an overly simplistic measure if additionality of impact due to inflation or industry-wide wage growth is not considered.
Vocational skills development opportunities	• % of workers accessing training over a defined period. • Workers' satisfaction with career development opportunities. • % of workers upgrading to higher skilled jobs.	Often captured through tracer studies.
Working time	• Perceptions of workers on whether time worked is excessive. • % of workers who have sufficient time to fulfil family commitments. • % workers with part-time/seasonal /unpaid employment only.	An important aspect to measure women's household unpaid household and community burdens.
Maternity leave	• Workers' reports on whether they received maternity leave and could return to work.	Triangulate stated employer policies with practice in reality.

18. See M4P Perspectives 2008
19. See ILO 2012b 'Decent Work Indicators, Concepts and Definitions'

Child labour	• Estimates of children aged 5-14 who are in economic activity. • Estimates of children 15 to 17 years old in hazardous work.	Since child labour is often a reality in rural contexts, it may require more nuanced indicators to measure if children's economic activities are jeopardizing school attendance.
Security of employment	• % of workers with formal contracts. • Workers' perception of security.	Contracts in themselves are not a guarantee of stability in countries with weak enforcement systems.
Occupational safety and health	• Incidence of occupational accidents and disease. • Workers' perception of physical and mental well-being in the working environment. • Safety of working environment.	Lessons have shown this is an important area to triangulate between employer records (under-reporting) and employee perceptions/ testimonies.
Social insurance	• (Estimates of) % of workers with health insurance or access to health care, paid sick leave, pension schemes.	The Global Impact Investing Network lists a number of other metrics to measure employment benefits.

Disaggregating indicators by sex will help to establish improvements for women in terms of access to resources. For example, the results of a survey on radio listenership could be disaggregated to analyse changes in access to information for women and men.

However, while we might consider women-owned enterprises accessing a new service as better access for women, formal ownership may not be the best indication of who actually does the work, or gains the benefits from this service. With this in mind, initiatives may also want to include indicators to track agency components of **women's economic empowerment**. Agency is defined as the power to make and act on economic decisions. Value chain initiatives may track agency to ensure they are doing no harm to specific components of agency, or to understand whether increases in women's incomes as a result of the intervention are leading to greater agency.

Table 5. Indicators for women's agency used by different organizations and projects

Aspect of agency	Indicator
Decision-making regarding income, productive assets, investments and expenditures	• % of recent household expenditure decisions in which women have participated over the previous X weeks. • Ability to make decisions regarding programme-relevant household expenditures. • Ability to make programme-relevant decisions regarding the purchase, sale, or transfer of assets (small and large). • Perception of importance of women's additional income to household due to intervention.
Division of labour, time, responsibilities	• Number of hours per day saved due to intervention. • Number of hours spent on domestic chores per day. • Satisfaction with available leisure time. • Ability to make decisions regarding use of time.
Freedom/restriction of mobility	• Number of hours per day saved due to intervention. • Number of hours spent on domestic chores per day. • Satisfaction with available leisure time. • Ability to make decisions regarding use of time.

Gender norms, and men's and women's attitudes toward gender roles	• Changes in attitudes towards women and programme-relevant work. • Changes in attitudes towards women and access to programme-relevant services (mobility).
Women's and men's sense of self-worth or confidence	• Perceptions of self-worth, and/or confidence.

Source: Markel 2014

Data collection

Using the results chains and indicators as a starting point, projects then develop a **measurement plan**. This will specify:

- The **'what'**: precise definition of the indicator, including any formulae to be used to calculate quantitative indicators, and the units of measurement.
- The **'when'**: a timeline for data collection and, where possible, exact dates for activities that can be slotted into work plans.
- The **'how'**: the tools and sampling used to collect information on the indicator.
- The **'by whom'**: a description of responsibilities for collecting data.

Information for each indicator should be collected using methods that conform to good research practices. The DCED provides detailed guidance on what these good practices are considered to be.[20] Specific guidance on data collection for job creation, working conditions and women's economic empowerment is outlined below.

Job creation

Direct jobs created in businesses with which the project has partnered can be measured by obtaining employer records and surveys of employers, employees and possibly of households as productive units. A **baseline** can be compared with an impact survey, and enterprises that have not accessed new services or inputs, for instance, can be compared with those that have. The advantage of direct measurement is that the plausibility of attribution is high, especially when backed up by qualitative information.

For indirect jobs, that is jobs created either upstream or downstream in the value chain, either, or for the induced job creation effect, where employees spend more and increase consumption, multipliers can be used. This involves constructing an input/output model to estimate the number of jobs created in a target market system, or the broader economy due to a change in another indicator, such as gross domestic product, firm revenues, investment, or production levels. Multipliers estimate the percentage change in employment due to a percentage change in the other variable. They are derived using data collected from surveys or secondary sources. Because existing multipliers are often not relevant to project-specific interventions, they usually have to be constructed, which requires significant survey work and specialized expertise.

20. See Jalil 2013

There is some debate about whether multipliers are valid for jobs measurement. While many projects find them useful, such as those outlined in MarketShare (2014), others say that income or elasticity is not a good predictor of permanent changes in levels of employment.[21] In all cases where they are used, multipliers must be well constructed and justified. Otherwise, they may give the impression of trying to inflate reported impact.

Working conditions

To collect data on **working conditions**, it is ideal to speak to workers directly, while also obtaining feedback from employers to triangulate findings. Findings should be sex-disaggregated. Ideally, they should also examine the poverty profile of respondents, using tools such as the Progress Out of Poverty Index from the Grameen Foundations.[22] Changes are often inherently qualitative in nature and require methods such as case studies, focus group discussions, key informant interviews or even simple observation. It is recommended to consult *Qualitative data analysis: A methods sourcebook* by Miles, Huberman and Saldaña (2013) to ensure sufficient rigour in qualitative data collection and analysis.

Women's economic empowerment

When collecting data on **women's economic empowerment**, it is important to bear in mind the following considerations:

- Where possible, include measurement of women's economic empowerment indicators in surveys and studies that have other main objectives, such as income.
- Take into account the fact that women may have lower education levels.
- Test research tools with women and men.
- Speak directly to women about their empowerment, but to men too – they are half the story of gender roles.
- Frame questions about work in such a way that it is clear that unpaid care work is included.
- Frame questions as specifically as possible, e.g. not 'How do you contribute to decision-making about spending?' but 'If you wanted to lease land, would you be able to take the decision yourself?'.
- Use enumerators and other researchers who have been trained to be gender sensitive, and if appropriate (it is more often than not), use women to speak with women.
- Open-ended or semi-structured conversations work better than questionnaires when exploring women's economic empowerment.

21. See DFID 2012
22. See http://www.progressoutofpoverty.org/

Example 15. Measuring improvements in occupational safety and health

The social marketing campaign for better working conditions in informal sector metal and woodworking enterprises under the Ghana Decent Work Pilot Programme conducted an evaluation that was designed to produce results which are quantitative (e.g., how many people may have altered their behaviour or remembered the campaign?), qualitative (e.g., what did they think of the campaign?) or inquiring (e.g., what do MSEs know from experience about their safety and health behaviour in the Ghanaian context?).

The evaluation process for the campaign was designed to take into account all these ways of gauging impact. A comprehensive and well-designed evaluation was important because of the project's objective to generate knowledge that could be used in campaigns elsewhere. The evaluation consisted of a pre- and post-campaign assessment, using a combination of an interviewer-complete survey of 200 workers and employers in the workplace, as well as an interviewer observation of workplaces (the "baseline research group") and a series of three inquiry group meetings among target market groups. In addition, 100 ("post-campaign-only research group") workers and employees were interviewed only post-campaign, in order to assess the responses of individuals who had not been pre-sensitized to the campaign by the baseline research.

The evaluation process was thorough and extensive, with more than 300 MSE workers and employers participating. The following elements of the evaluation worked particularly well:

- Complementing the conventional survey methodologies with inquiry groups to enhance and corroborate the survey results (this triangulation of evidence improves the validity of the questionnaire);
- Explicitly including interviewer perceptions, i.e. their observations of workplaces as part of the evaluation survey. Interviewer perceptions are important in order to bring in a comparison with external standards, which may not be seen at all among the target group;
- Using images rather than written words wherever possible in the survey questionnaire, so that respondents with low literacy levels can participate fully. This took the form of a new survey tool, using pictures of comparisons between poor and excellent working conditions, e.g. untidy and tidy workplaces. Respondents were asked to rate their workplace in comparison with such images. Interviewers did so as well, separately, i.e., without knowing the respondents' ranking.

The use of images, the inclusion of interviewer perceptions and triangulating research through the use of quantitative, qualitative and inquiring research methodologies, ensured a high level of reliability of the results.

Source: Adapted from Seeley 2004

Example 16. Gender sensitized indicators for monitoring and results measurement

The SDC/Mercy Corps Alliances Against Poverty programme in South Georgia has an MRM system that applies the DCED Standard. This includes gender sensitized results chain indicators and measurement plans for each intervention, in which all relevant indicators require sex-disaggregated data. The project also designed activities, inputs and indicators specific to ensuring impact for women, as well as for men. Bimonthly monitoring action plan meetings allow staff to study disaggregated productivity and impact figures and adjust interventions accordingly. The project has found that this is particularly important, to ensure that impact generated includes women, and in particular to bring about Women's Economic Empowerment.

The Women's Economic Empowerment indicators used by the project results, together with selected results, include:

- **Access to assets, services and support** necessary to advance economically. Some 36 per cent of women in the project area use the services offered by market actors (including Women's Rooms, municipalities) and 58 per cent are accessing the services to advance economically.
- **Economic advancement**, in terms of changes in income and return on labour. Monthly personal income of the affected group is almost 50 per cent higher.
- **Access to opportunities and life chances**, such as skills development or job openings. This has not yet been sufficiently assessed, but findings so far indicate that half the Full Time Equivalent jobs were created for women.
- **Decision-making authority** in different spheres, including the household. Some 25 per cent of participants in community meetings are women, compared with 5 per cent before the intervention, and municipalities have acted on their priorities. Women's control over personal income and household budgeting has improved, but will be assessed further. Access to and agency over time saved is also being measured. Women who had been under pressure to give up activities in the dairy sector, due to its poor opportunities for income generation, reported, after the project ended, a validation of their role as more powerful economic agents, as well as reduced conflict and improved domestic harmony.

Data was obtained from municipality and Women's Room records, partner records, and through a survey of a random sample of 350 women, including women affected and not affected by the changes in the market system. Nona Samkharadze, Information Officer and Gender researcher, commented that: "It is critical to *make the survey or interview process itself empowering*".[22] She achieves this goal by taking steps to establish trust, showing respect, showing confidence herself, and helping the respondent to analyse by using probing questions.

Sources: Markel 2014. Alliances Lesser Caucasus Programme Georgia. Measuring changes in women's economic empowerment. Presentation for the DCED seminar 2014. Contributions by Helen Bradbury, Alliances Team Leader.

5.5 Capturing wider changes in the market

The ultimate aim of value chain development projects is to achieve improvements for target groups who own, or are employed by, businesses in the value chain. As we have seen in previous chapters, this is achieved by stimulating changes in a variety of other actors in the broader market system.

The DCED Standard requires initiatives to make explicit the **pathway towards systemic change**, and define a set of indicators for each key step on this pathway. In practical terms, this involves outlining a strategy for how the project will stimulate change in other market actors, beyond just those with which the project is partnering.

23. Markel 2014: 28

The Standard recognizes that several different frameworks can be used to capture systemic change, rather than relying solely on results chains. 'Adopt-Adapt-Expand-Respond', discussed in the previous chapter, is a popular complementary framework for managing and measuring systemic change processes.[24] This includes specific sustainability indicators, so that initiatives can reflect on whether or not their facilitation task is complete.

The specific tools and research methods used to measure systemic change tend to be more qualitative in nature. Measuring whether the project has stimulated changes in market actors beyond the project's partners is a difficult task, and it can be particularly hard to attribute any changes to the project's actions. To establish whether change has happened, investigative approaches can be effective, including informal conversations, interviews, discussions with and structured case study collection about market actors (beyond those with whom the initiative is partnering).[25]

5.6 Estimating attribution

There are many other factors which affect the outcomes that an intervention aims to stimulate, such as natural growth in the economy, the natural environment, influence from government or the work of other development or private initiatives. Attribution refers to the extent to which change was **caused by a specific project or intervention.**

The Standard calls for projects to make efforts to clarify the causal link between project activities and ultimate impact. This means having a strategy in place for *plausible* attribution, using research methods that are rigorous, but take into account considerations about available time, expertise and resources. The Standard therefore does not stipulate the use of any one single method or require scientifically valid 'proof'. Instead, it asks for a contextual approach that can yield a reasonable estimate of cause and effect. Of course, this does not preclude projects that have the will and skills from running studies able to give the highest confidence in causality, such as randomized control trials, providing this fits their learning needs.

In practice, a strategy for plausible attribution means that projects need to:

- **Use the results chain** to determine whether each change ('box') has occurred, or not. If the chain of results has not occurred, we can assume higher level changes are not attributable to the intervention. For example, if incomes increased without the target group accessing the new services facilitated by the project, this cannot be attributed in any way to the intervention.
- **Ask 'why' or 'why not'** the change did, or did not, occur, for each 'box' in the results chain. At the level of the market system, this can often be established through key informant interviews. At the level of target group impact, it is often necessary to construct a counter-factual (to estimate what would have happened anyway), if possible. This counter-factual is sometimes generated through use of a comparison or control group, through a quasi-experimental study, though not always.

24. See The Springfield Centre 2014
25. See the DCED's guidance and forthcoming BEAM Guidance on monitoring

- **Acknowledge when change was contributed to by others.** Whenever reporting impact, if another donor programme, local institution or individual played a role in bringing about change, this should be made explicit. Develop and keep updated records of all public and private initiatives active in the same sector.

When choosing indicators, keep in mind the DCED Standard's emphasis on balancing rigour with practicality in research. Do not let the great be the enemy of the good! The net job measurement calculation is jobs created minus jobs destroyed in competitors, taking into account the deadweight (what would have happened anyway) and substitution effects (new jobs created or filled at the expense of others), as well as alternative attribution (who else to credit). This is challenging to measure, and almost always calls for the use of control groups to construct a counter-factual. Gross measures, which only examine the number of new jobs or positions created, can be used, so long as the initiative is transparent about the evidence base and definitions being used (see Step 5).

5.7 Management considerations

Continuous monitoring and results measurement is essential to implementing and adapting projects in a way that brings about systemic change. With this in mind, MRM has to be fully integrated into management and decision-making processes, and into the work of the project team. Table 6 provides a summary of the key considerations to bear in mind in order to achieve this.

Table 6. Managing the MRM system

Who should plan and implement MRM?	There is a consensus that MRM requires: • Dedicated, specialized staff, such as an MRM manager or team, depending on the project's size. • Involvement of all other staff members. To integrate MRM into a project's practice there should be no clear split between results measurement and design and implementation; MRM responsibilities have to be included in all job descriptions. • Committed support from senior management. This is key to ensuring allocation of resources and ensuring involvement of staff. External expertise can be helpful in developing the system, especially if the team is inexperienced. Consultants or research firms are sometimes contracted to do field research. While this reduces bias, it limits opportunities for staff to learn. Projects often find they have overestimated the capacity of local researchers. Detailed and clear TORs (including a report outline), collaboration on research methodology and design as well as analysis, and close supervision and guidance can partly address this. Experienced external researchers are especially useful for doing formal, large surveys. Other assessments through such means as focus group discussions, key informant interviews or in-depth interviews are usually done in-house.

How should market actors participate?	At a minimum, market actors and other stakeholders (such as co-facilitators) should be consulted on, and agree to, the data they are expected to provide. Measurement plans therefore need to take into consideration the existing data collection/performance measurement practices of market actors. Can performance metrics be aligned for mutually beneficial measurement? While public actors may be interested in assessing social impact, and private actors more interested in financial returns, this will vary by context, and initiatives should aim to understand the specific information needs and capacities of their partners. Initiatives can then play a constructive role in encouraging actors to strengthen and develop their own results measurement practices, so long as these practices will produce data that actors need for their own work. Be careful to manage the risk that partners are overburdened by data collection responsibilities, which a project may (or may not) need 'for reporting purposes'. This can become a major irritant in relationships and should be avoided. As a rule, partners should only ever be asked to provide data that they would collect in the normal course of business, and they should not be required to collect data that is not useful to them.
How to cope with complexity?	Value chain and market systems development are part of an emerging field inspired by complex adaptive systems thinking. Simply put, instead of seeing development as offering linear quick fixes to what are couched as simple challenges, it is about being flexible and taking a trial and error approach to respond to what are actually very complex problems. The economist Bill Easterly describes this as moving from being planners to searchers. Good MRM can help initiatives to provide feedback on what is working, and what is not, so as to inform performance improvements. Markets are 'messy' multi-function, multi-player arrangements. It takes time to begin to understand how they work, and projects must adapt and react to changeable markets. Beyond the mechanical monitoring of indicators set out in measurement plans, teams need to be open and inquisitive in their day-to-day work. This requires: • Ongoing engagement with partners, other market players and the target group, at all stages of interventions. • Informal information gathering through frequent conversations and observation, and creating spaces to reflect on tacit (implied, not explicit) knowledge. • Documenting the findings in a diary or log in the measurement plan and analysing their implications. • Including findings from informal data collection, with measurement data, in project team review meetings. • Making periodic updates to the market system analysis. Don't feel you need to document these in long reports: even verbal reflections (briefly written up afterwards) can provide a snapshot of market functioning, in so doing helping to identify any important changes brought about.

How to develop a learning culture?

We all know those glowing reports and presentations of projects where everything is a success. This may be good PR, but it is bad management. MRM helps good decision-making and learning, but without a culture of learning among project staff, it will not make a difference. Data will be used to justify rather than improve interventions. With a learning culture, team members communicate honestly and openly, their ideas and suggestions are valued, and they can admit problems and failure and use these as an opportunity to improve and learn. Managers can encourage such a culture by:

- demonstrating commitment to MRM and its value for decision-making and learning. Paying attention to the signals (words and actions) you send to other staff about MRM – be supportive!
- putting in place systems for open information sharing and providing opportunities for sharing information informally. Have an open door to your office, and carefully listen to staff and show that their ideas are valued.
- not penalizing staff for things that go wrong if they are beyond the control of the project, and not rewarding staff for over-reporting of success. Openness and honesty starts with management!
- encouraging frank discussion and critique within the project team to identify strengths and weaknesses of interventions, team execution/procedures or the functionality of MRM systems.
- embracing and encouraging reflection on the reasons for failure, and asking what can be learned from it. Reserve a space at the end of team meetings to discuss what went wrong and why.
- setting aside staff time for joint learning

How much to spend?

Based on experience, MRM in line with the DCED Standard requires three areas to be properly resourced:

- A dedicated staff position, either national or international depending on the size of the project, to coordinate MRM. Note that as above, this person is not there do all the monitoring – but to support the rest of the project staff in carrying out monitoring activities.
- Funds to carry out baselines and follow-up data collection and research. Depending on the scope of the programme and sample sizes, these can cost anywhere between US$20,000-50,000 per survey.
- External consultants to carry out pre-audit reviews and formal audits of the monitoring system. These usually take place once each in the opening year of programme implementation, and then every two years afterwards. Budget for 2-4 weeks of consultant time for each audit.

An expenditure on MRM of 5-10 per cent of the total project cost is common and considered acceptable. Projects may not have an adequate budget allocated, and for smaller projects, investing in MRM that meets the DCED Standard is a large outlay. However, the return on this investment is high in terms of greater and more sustainable impact. Once the system has been set up, costs can be limited in a number of ways. These include:

- Reducing the scope of research (e.g. smaller samples);
- Greater use of qualitative methods;
- Avoiding methodologies that offer limited utility in terms of improving interventions, but have high costs (e.g. quasi-experimental approaches, Randomised Control Trials);
- sDeveloping and measuring indicators for key steps in the results chains only.

Sources: Miehlbradt & Riggs, 2012; Social Impact Investment Taskforce, 2014; Ripley & Nippard, 2014

Box 18. What is the link between MRM and evaluation?

Good evaluation is difficult in the absence of a good monitoring system. Monitoring and results measurement, in line with the DCED Standard, can help effective evaluation by:

- Improving the quality and availability of monitoring data (including information for indicators of change that includes baselines and data sources) that can be used by evaluators.
- Clearly articulating results chains, their evidence base and associated indicators that can help the evaluator to better understand the programme's theory of change.
- Attempting to estimate attributable change that can be validated by the evaluator.
- Tracking costs as part of the monitoring framework that can be used by the evaluator to make assessments of cost-effectiveness.

The advantage of the DCED Standard is that it builds on practitioner experience of good practice in developing theories of change, key performance indicators, measurement strategies and M&E plans.

In the ILO, independent evaluations are overseen by the Evaluation Office (EVAL) - which fulfil important accountability and organizational learning purposes. The use of the DCED Standard can complement these evaluations. Moreover, if a programme is using the DCED Standard and has successfully completed either a pre-audit review or an audit during their first year, EVAL will waive the requirement for ILO projects over US$5 million to have monitoring and evaluation appraisals and evaluability reviews undertaken

The DCED Standard, which includes 'control points' and audits, is an excellent system for ensuring high quality MRM. However, projects run the risk of just ticking the boxes,' in terms of what needs to be in place. Encouraging a learning culture and integrating MRM into a project's daily practice (as also required by the Standard) are ways to ensure that MRM 'lives' at the core of a programme, rather than being perceived as just an extra reporting burden.

Logframes usually include quantitative targets for outreach and impact at the beneficiary level, as well as other deliverables. While projects are meant to achieve such targets through facilitating systemic change, sometimes in practice the focus turns to 'hitting' numbers for the sake of upward accountability. These risks create inappropriate incentives for the project managers and implementers to deliver directly, and to bypass the market systems change that is crucial for sustainability. Ways to reduce these risks include:

- Working with donors who understand the primacy of systemic change, or fostering such understanding.
- Negotiating with donors on the basis of low and flexible impact targets. Some donors agree to include projections (not targets), made after an initial period of implementation. Instead, fix clear and agreed upon process targets.
- Keeping projections low, whatever the temptation to impress the donor, and do not call them targets. Language matters.
- Avoiding projecting and counting numbers of beneficiaries. Instead, count how many of the target group are accessing new products/services through systemic change, whether with project partners, or as a result of market take-up.

- Making sure that results chains are not included in formal bid/project documents: this gives the impression that they are fixed plans, not flexible sets of hypotheses about how change might happen.
- Avoiding overly detailed activity plans or elaborate budgeting, as far as possible. This makes it possible to keep options open.
- Keeping the donor informed of changes in the market system and the need to adapt.

Measurement is not the goal, but a means to achieving it. If the team feels that it is spending an excessive amount of time on indicators, measurement and research methodologies you need to review your MRM system and/or practice.

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Glossary

Business case: a justification or argument to take an action that will lead to higher business profitability or growth.

Decent work: productive work for women and men in conditions of freedom, equity, security and human dignity.

Facilitator: temporary outsiders who attempt to stimulate lasting change in the way that permanent market players go about their business.

Intervention: temporary actions that a project carries out to facilitate change in the market system. These aim to change poor women and men's performance in the value chain, by improving the provision of supporting functions and rules by other actors in the market system.

Market system: the multi-actor, multi-function arrangement comprising three main sets of functions (core value chain, rules and regulations, and supporting functions) undertaken by different actors, and through which exchanges take place.

Results chain: diagrams that capture the sequence of changes from individual interventions to the project goal. Results chains are specifically developed for each intervention.

Rules and regulations: these refer to all sorts of laws, standards and regulations, as well as to informal rules and norms that governn actions and interactions of market actors. They are an integral part of the market system.

Social dialogue: a participatory approach through which representatives of the main public and private market actors are involved in formulating solutions for constraints in the selected value chain.

Supporting function: activities and services offered to support private sector actors in the value chain, such as infrastructure, research and development, training offers, among others. Together with core transactions of a value chain and rules and regulations, supporting functions are an integral part of the market system.

Supporting market system: market system in which the core transaction or value chain is the supporting function.

Supply chain: the process of bringing a product to the end consumer. However, supply chains are usually analysed and developed from the perspective of a main buyer and often focus on the logistics of organizing a supply system, while the term value chain is usually used with a developmental connotation.

Theory of change: narrative that explains the sequence of changes, from the intervention to the project goal, that a project will undertake to realize its vision.

Value chain: describes the full range of activities that are required to bring a product or service from conception, through the intermediary phases of production and delivery to final consumers, and final disposal after use.

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