

# SNV

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Netherlands  
Development  
Organisation

# Using the Value Chain Approach for Pro-Poor Development

Experiences from SNV in Asia

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The Poor

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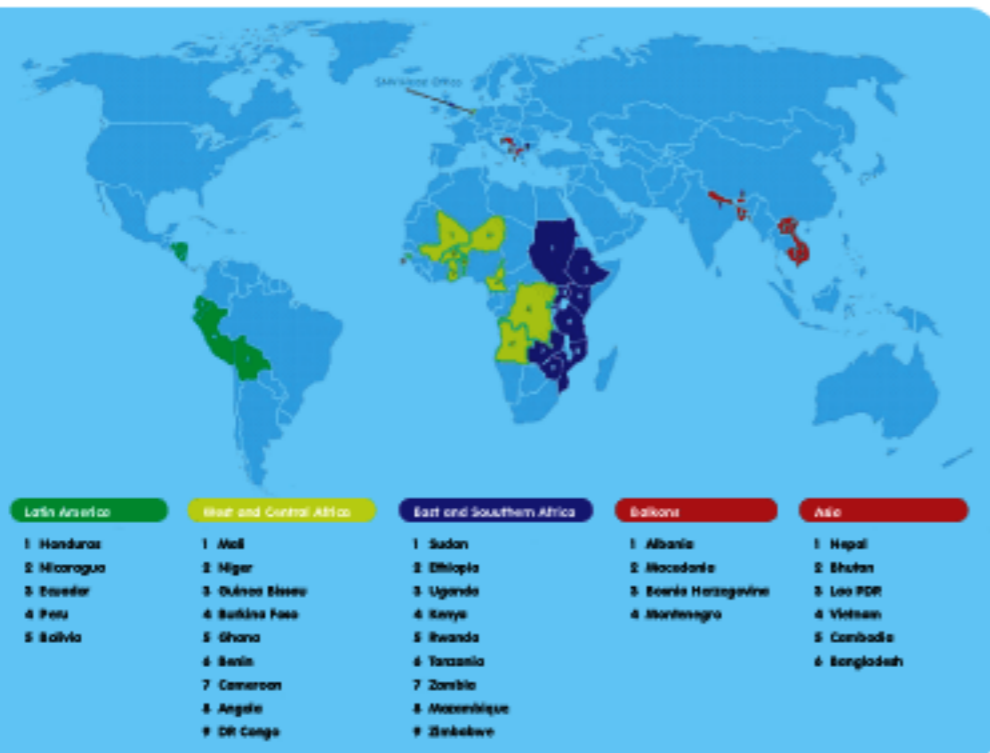
# SNV

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## About SNV

**SNV Netherlands Development Organisation** is a Netherlands based international NGO that delivers capacity building advisory services to over 2,000 clients in 33 countries in Africa, Asia, Latin America and the Balkans. In Asia, SNV provides capacity building services to government, non-government and private sector organisations in Nepal, Vietnam, Bhutan, Lao PDR, Cambodia and Bangladesh as well as to a number of regional organisations and networks. Our 140 advisers in Asia work with local actors, primarily those who operate at national and sub-national levels, to help strengthen their capacity to effectively realise poverty reduction and promote good governance. SNV aims to achieve development results in two areas: (1) Reducing extreme poverty by increasing production, employment and equitable income opportunities via our work in Smallholder Cash Crops, Pro-poor Sustainable Tourism, and Forest Products; (2) Improving the access, coverage and quality of basic services via our work in Water, Sanitation & Hygiene and Renewable Energy.



SNV: Global Presence – Local Impact  
Our website: [www.snvworld.org](http://www.snvworld.org)

**Our Mission: SNV is dedicated to a society where all people enjoy the freedom to pursue their own sustainable development. We contribute to this by strengthening the capacity of local organisations.**

## Introduction

The value chain approach is an effective way of supporting pro-poor development. It helps us to understand and better appreciate the wider context of development issues, so that we can design interventions that are sustainable and have even wider impact.

With its presence in Asia since 1980, SNV has built up an extensive track record in the area of value chain development with a pro-poor focus. We have been working on selected value chains in pro-poor sustainable tourism, forest products and smallholder cash crops to ensure that production, income and employment directly benefit the poor.

In January 2007, a group of SNV advisers met in a writers' workshop to share their experiences and document the lessons learned from using the value chain approach to promote pro-poor development. This booklet is the result of that workshop and our advisers' shared knowledge and practices.

The main aim of this booklet is to provide value chain practitioners with insights into how SNV Asia uses the value chain approach for effective poverty reduction. It presents SNV's approach and experiences in identifying value chains with a high pro-poor impact, analysing the constraints and opportunities in value chains, developing interventions to improve the performance in value chains and assessing the impact for improved income and employment. It also shares some of the lessons learned during our interventions, with examples and illustrations from our work in pro-poor sustainable tourism, forest products and smallholder cash crops from Bhutan, Nepal, Lao PDR and Vietnam.

The booklet is divided into three sections:

- **Section One** outlines SNV's approach to using value chain development to support pro-poor development;
- **Section Two** details some of the cases and shares some of the experiences which have informed our approach;
- **Section Three** summarises some of the key lessons which we have learned from each of the cases, and which we hope you can apply in your own value chain work.

We hope that this booklet will prove useful to you not only as an informative reference source but also as a practical learning document.

We wish you the very best of luck in your own value chain work.

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# Section One-The Value Chain Approach







- Reducing extreme poverty by increasing production, employment and equitable income opportunities. This is achieved through value adding market chains: pro poor sustainable tourism, forest products and smallholder cash crops.

The Value Chain Approach is one vehicle to ensure that production, income and employment can be increased – for the direct benefit of the poor.

### 1.1 What are SNV's priorities?

SNV Asia orients all of its activities towards two impact areas:

- Improving the access, coverage and quality of basic services via our work in water & sanitation and renewable energy;

### 1.2 Why production, income and employment?

**Production:** SNV is interested in contributing to increased production. More production forms the basis of more income and food sovereignty and equally increases people's freedom to choose the life they want to live.

**Income:** SNV is equally interested in contributing to more income. More income increases people's freedom to pursue their own sustainable development.

**Employment:** Being employed means by definition earning an income. Creating or securing employment can prevent rural – urban migration and contributes to the maintenance and development of vulnerable communities or livelihoods.

### 1.3 Why use Value Chains to assist Pro-Poor Development?

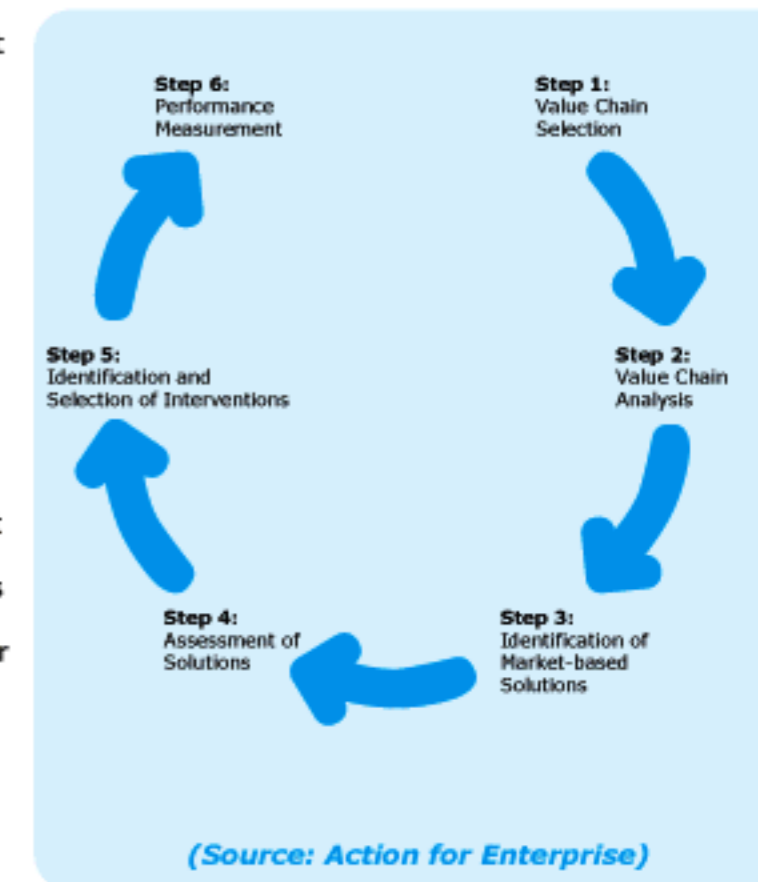
Value chains are one way of more fully appreciating how local communities are linked to, and economically interdependent on, their wider environment. Through careful selection, analysis and development of value chains it is possible to identify market-based solutions which can be used to assist the poor.

The improved inclusion of small scale producers and entrepreneurs in global value chains is one strategy to increase production, income and employment opportunities for the poor. However, pro-poor development is not an automatic outcome of such inclusion, which may also leave local producers less empowered as they become subject to forces beyond their control. The contribution (or not) of value chains to pro-poor development is therefore an important subject for further exploration and research.

### 1.4 What are the major steps involved in a Value Chain Approach?

SNV has built up an extensive track record in the area of value chain development with a focus on

selected value chains in pro poor sustainable tourism, forest products and smallholder cash crops. SNV has adopted an approach to support value chain development, which is illustrated in the figure below:







### Step 1 Participatory Selection of Value Chains

Selecting those value chains that are economically relevant and show potential for the poor to increase their income and employment at an acceptable level of risk is a vital first step.

Mapping the relevant tangible (incomes, employment, traded volume) and intangible parameters (knowledge, quality requirements) within a value chain can, for instance, make clear how benefits are distributed, where the poor are involved in the chain, or how infor-

mation about quality levels is shared between various chain actors. Outside the chain it might be relevant to map out the rules and regulations governing the behaviour of chain actors, such as land use rights, trade tariffs or transport regulations.

As a result of this process, the maps and analysis lead to an overview of constraints that can be tackled by actors within and outside the chain, in order to raise the income and employment opportunities of the poor.

### Step 2 Pro-Poor Value Chain Analysis

An in-depth analysis is needed to fully understand the opportunities that chain actors possess, and constraints that currently limit them from realising their full potential within the value chain. Too often choices for development are made without a clear understanding of the position of the poor in the chain, which exposes them to high levels of risk, often resulting in market failure. Specific attention to the position of the poor in the value chain, and what prevents them from establishing a stronger position in the chain, is needed in order to develop interventions that are within their capacity to adopt and which will not expose them to further risk.



Mapping value chains is one way of visualising the complex relations within them. It is a useful tool to simplify the flow of goods, information, etc. in the chain. Additional information about prices, volumes, value added services can be inserted around the chain.

One way of mapping value chains is to use pictures to represent different processes or stages in the chain. This can be especially useful when someone is talking about a not so well-known product or when s/he presents it to a larger audience in a presentation.

The above is an example of the Dried Longan value chain from Son La province in North-west Vietnam.

### Step 3 Identification of Market-based solutions

The focus of this step is on identifying solutions that address business constraints in a sustainable manner, within the market. Whilst the provision of solutions is often seen as the role of the development agency, in market development thinking (of which value chain development forms an integral part) the stimulation of these providers is seen as the key to sustainable success.

These market-based solutions (commercially oriented and provided by the private sector) include training, finance, market access, technology development, information, product development and advocacy.

The focus here is not on the constraints that the actors face in the value chain but rather on the possible solutions that are available to them. For instance, a constraint may be worded as "inappropriate technology for longan drying" whereas the market-based solution would be "access to improved drying technology".

In this step, it is not yet necessary to identify the provider of the solution or how the solution will be provided.

Identification and prioritisation of possible solutions are key steps in the development of a value chain development strategy, in order to make the chain as a whole more competitive. Through the prioritisation and ranking of opportunities, the optimum market-based solutions can then be selected.

### Step 4 Assessment of Solutions

The assessment of market-based solutions concentrates on three elements:

- Identification of private sector solution providers;
- Determination of whether or not the solution can be provided in a commercially viable way; and
- Identification of constraints on the demand and supply (provision and use) of the solutions.

The focus is often on so called 'fee-based' or 'embedded services'.

### Typical constraints the poor face in a value chain

- Lack of information (markets, prices, standards);
- Low/ unfavourable quality;
- Low or unreliable demand/ supply;
- Low yields;
- Low levels of organisation;
- Fluctuating price;
- Insufficient available credit;
- Low level of trust;
- Contra-productive government policies.





Fee-based services are specially targeted and provide services through a third party (consultancy companies, training institutes, etc.). Meanwhile, embedded services are part of any business transaction between two actors. For instance, a retailer of fertiliser may provide technical training on the use of fertilisers to his customers.

A clear understanding of the best options, both from the supply and demand side of the service, will contribute to a better design of interventions for the development of the value chain.

### Step 5 Identification and Selection of Interventions and capacity building of clients

The cornerstone of the whole approach is to focus on the critical constraints and opportunities that hold back growth, and design interventions that benefit all actors

in the chain and have potential to become viable solutions to be offered by local service providers.

Wherever the interventions take place, SNV works to ensure that key actors (public, private and civil society) are supported and that local organisations remain in the driving seat. In addition, we help to build local market mechanisms instead of distorting them.

Extensive experience in business services market stimulation has demonstrated that the selection of partners and clients is crucial when it comes to sustainability issues. Sometimes the local context doesn't provide many options. Therefore, in selecting suitable partners and clients, it is important to ensure that two key questions are answered:

- who does and who pays for the interventions?, and
- can the poor benefit from the interventions?

This is further explained in section 2 where a series of cases is presented which focus on how interventions with clients can lead to improvements for the poor in the value chain.

SNV provide the following services to local organisations:

- Advisory services;
- Knowledge development, brokering and networking;
- Lobby and advocacy;
- Local capacity development funding mechanisms.

### Step 6 Performance Measurement

The overall goal of our value chain development work is to strengthen the capacity of local organisations and to enable them to create more production, employment and income for the poor. All of our activities and advisory work are aimed at reaching this goal.

Assessing change starts before interventions are planned. The guiding question is "What do you wish to change?" This leads to a causal chain for desired impacts, which in the end should result in higher incomes for the beneficiaries. Depending on the context and intervention, this causal chain consists of one or more steps. Each step in the causal chain of change is measured with matching *intermediate indicators*. To come up with indicators, the area of the intervention provides the framework: do you want to measure impact at the beneficiary/enterprise (within the chain) level, the linkages level, the service market level or at the policy level?

#### 1.5 What are the entry points to Value Chain Development?

Value chain development offers a systematic approach to economic development. Any value chain comprises of three key, and equally

#### Examples of indicators at different intervention levels:

- **At enterprise/ farm level:** productivity (yield), profitability, market performance (sales volume);
- **Linkages:** strength of linkage (frequency of contacts, dependency, trust) objective of linkage (information, monetary transaction);
- **Supporting services:** service demand (number of customers, awareness), supply capacity (number of providers, quality of services);
- **Legal and regulatory framework:** number of regulations affecting the value chain, number of government agencies involved, 'cost' of dealing with the government.

important, components, as illustrated in the figure below.

- The **primary value chain process** is concerned with the range of business activities required to bring a product or service from conception to consumption.
- A variety of **business services** (including financial services) are provided by different actors from government, private sector and civil society, adding value to the product or service.
- The **enabling environment** of the value chain includes, amongst other things, sector policies, the legal framework and available infrastructure.

#### Examples of working with local organisations in Asia

- The Association of Small and Medium Enterprises (ASME), a provincial business membership organisation, is one of the local partners SNV is working with in Ninh Binh province, Vietnam. SNV advises ASME on its service development and the organisation of public private dialogues.
- SNV Bhutan supports Regional Trade and Industry Offices in providing business services to micro and small entrepreneurs.





### Business Services – add value

- Access to finance
- Market access
- Storage & transport
- Input supply
- Training & technical assistance
- Technology & product development
- Policy / advocacy

### Primary Value Chain Process



### Enabling Environment - establish parameters

- Legal framework (food laws, royalties, taxes)
- Sector policies
- Economic climate (investment)
- Political framework
- Physical Infrastructure (roads, electricity, water)

### 1.6 What role does SNV play in creating sustainable impact?

SNV believes that eliminating poverty requires more than economic or technical improvements. Eliminating poverty entails empowering the poor, improving governance, and increasing people's ability to provide for their own needs and make informed choices. As a result, SNV works to improve the capacities of individuals, organisations and societies to take action to solve

their problems and to continue to do so in the future.

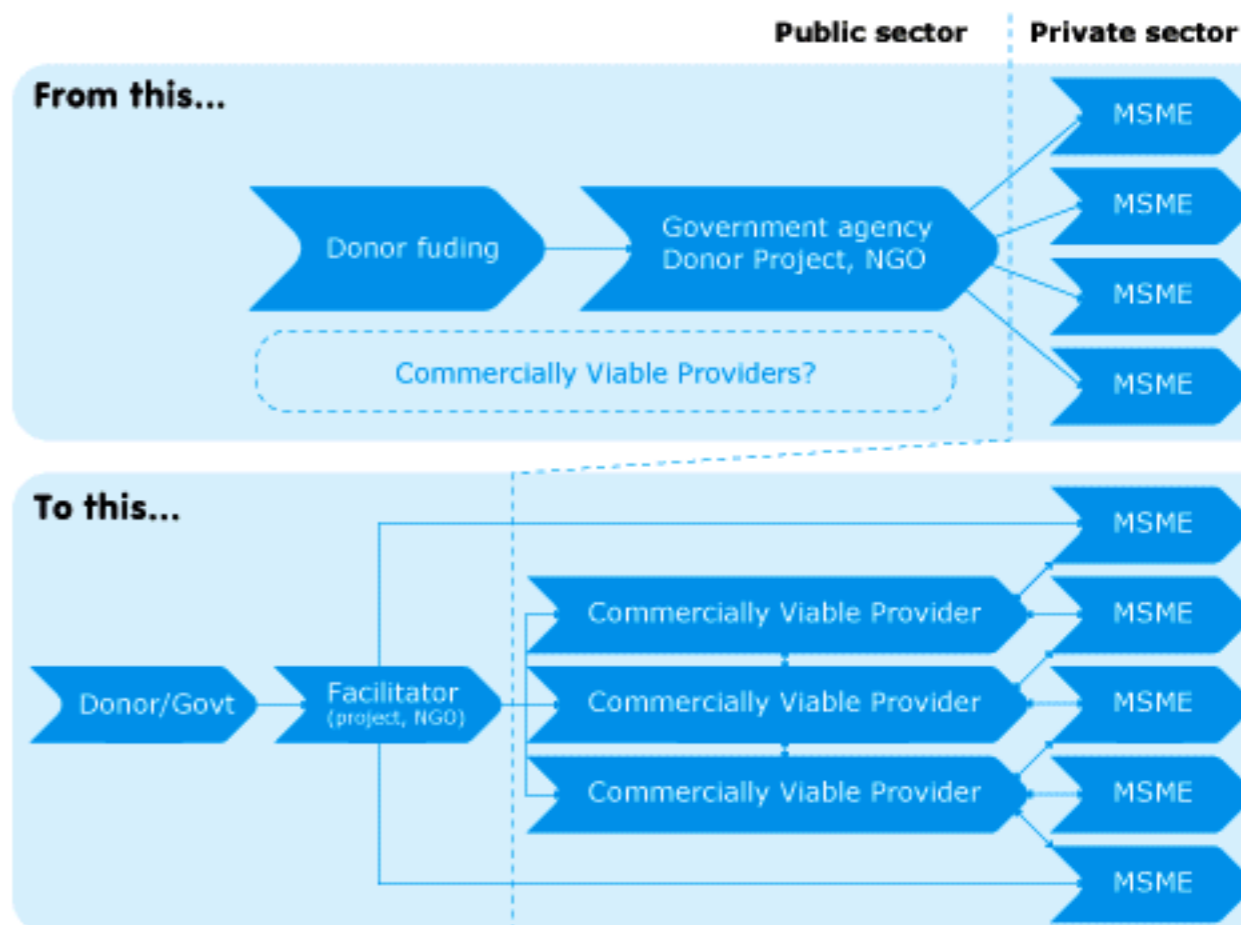
SNV services are offered to local organisations who cannot afford such services in a commercial market. Capacity building for impact is provided, in partnership with a growing number of local capacity building organisations, to local organisations who demonstrate a clear drive and willingness to contribute to poverty reduction.

SNV considers the value chain development approach a major



vehicle in achieving pro-poor development in selected sectors. We follow the model outlined in the six steps above (Section 1.4). One major shift is in the focus on intermediary (sub-national level) actors, not just for the provision of services (as described in the figure below),

but also in terms of their ability to provide capacity building services in all three areas of primary value chain development, business services to enterprises and the creation of a pro-poor enabling environment.



(Source: Action for Enterprise, training materials on Value Chain Development, 2007)



## Section Two – The Case Studies







SNV provides capacity development services to organisations involved in the three main components of the value chain, as identified in section 1.5. Our services include:

- leveraging linkages within the primary value chain process,
- strengthening supporting services, and
- enhancing the enabling environment.

In the sections that follow, our pro-poor value chain development experience will be shared with you by presenting case studies reflecting the three areas above.

## 2.1 Leveraging Linkages

Having worked on the selected value chains, we have found the following generic *constraints*:

- They originate from a production focus without much emphasis on market demand in terms of quantity and quality. Information about market demand is not being passed from consumers to the primary producers.
- Production and processing are often outdated and innovations are absent.
- Production is scattered and there is a lack of a common agenda between the various value chain actors.

Value Chain Analysis helps to *identify and quantify* the above mentioned constraints. Improving linkages amongst value chain actors (either between producers in groups or between different actors) and other stakeholders (local government, civil society, and service providers) has proven to be a method to develop a common agenda and find ways forward to develop interventions at different levels in the chain.

The role of the poor in value chains is often limited to only the low value steps in the chain: providing unprocessed materials or supplying to low

end distribution channels. **Two strategies** can be employed to improve this weak position. These strategies usually work hand in hand as pro-poor interventions need a mixture of both to become successful:

- **Value Adding through development of additional processes in the chain:** Identifying whether or not there is value adding potential for the poor by taking up additional roles in the value chain. For instance, producers could add value to their fresh products by also doing (part of) the processing and sorting.
- **Value Adding through development of linkages between chain actors:** Strengthening contacts between actors in the chain to develop long lasting agreements which offer

certainty. Organising actors into groups so that they can offer more volume and therefore enhance their bargaining position, for instance through the formation of producer groups.

Organising smallholders into **farmer groups** can play an important role in value chain development. Group building can have multiple benefits, such as raising farmers' awareness and increasing their understanding of their position and role in the value chain. Groups can be reached more efficiently by extension service providers, as they can facilitate a lot of farmers at one time rather than just making contact with individual farmers.

**Producer groups** are of particular importance to pro-poor value chain development. In countries such as Lao PDR, Vietnam, Bhutan and Nepal, the cultivation area per household is very small, leading to difficulties in product quality management for processors. Forming groups can solve this problem as the collective action and social cohesion of the group can stimulate quality awareness and improve their negotiation position in the value chain.

*Cases 1-4 feature examples of farmer and producer groups, as well as examples of how production has been upgraded and horizontal cooperation improved.*







## Case 1. Empowering Cardamom Farmers through Improved Linkages

Sector: **Smallholder Cash Crops**

Country: **Nepal**

### The Challenge:

Cardamom has been a major cash crop in Nepal for the past 50 years. Some 25,000 households are involved in the production of almost 5000 metric tons of cardamom per year. Most of the producer households are smallholders who work in isolation from one another. This has resulted in limited bargaining power with the more organised traders and exporters, who can demand a premium price. The main challenge has been to develop a value chain strategy through which poor rural producers can derive more benefit from the premium price that traders offer for high grade dried cardamom.

### SNV intervention:

The strategy to develop the value chain focused on four different interventions:

- **Farmers groups' capacity building:** Capacity building of local partners, mobilisation of cardamom farmers groups, developing cardamom farmers' network, provision of farm management training, research

and development (improvement of cultivars and crop diversification) to increase the yield and improve quality.

- **Drying Technology Upgrading:** R&D on improved drying technology, promoting two drum



cardamom drying technology and promoting services for drying technology to produce smokeless cardamom to meet market demand.

- **Access to finance:** Promoted two local cooperatives catering the needs of the cardamom smallholders, among others; development of outreach plans of these co-operatives. The objective is to increase the bargaining power of the producers, by providing them with easy

access to finance.

- **Marketing and market linkages:** Capacity building of local business membership organisations (CCIs) by linking them with national level expert services providers.

SNV's role has been to provide advisory services to enhance the capacity of the local service providers in relation to value chain development, networking, knowledge brokering and resource linkages.

### Achievements:

**Farmers groups' capacity building:** Local partners documented best practices and lesson learned from the field and organised a policy level workshop at national level.

**Drying technology upgrading:** SNV Nepal together with local partners initiated a pilot R&D programme on improved drying technology. After a successful demonstration in the 52 cardamom groups formed at cluster level, 550 smallholder farmers were mobilised with the aim of drying 60 Metric Tons of improved cardamom per year.

**Access to finance:** The local level financial institutes/co-operatives are already working to provide loans to cardamom farmer groups.





#### Marketing and Market linkages:

- In June 2006, Cardamom Farmers' Group established a district level network for collective marketing, for addressing issues related to cardamom farming and to create an advocating mechanism to reach the policy makers.
- The district level traders have agreed to give a premium price of 7% to 10% to the cardamom growers over the local market price.

#### The lessons learned:

The selection of cardamom which is grown by many smallholder farmers in Nepal has been the right one as it has not only helped to create income opportunities at the local level but has also helped to achieve national poverty reduction targets through sector development and export growth. Other lessons learned include:

- **Keep the whole value chain in mind:** This allowed us to identify other actors during the development process. For instance, the involvement of the chambers of commerce only became evident once production had been upgraded.
- **Identify key actors:** The adoption of the value chain development approach provided

an opportunity to identify the key actors that are involved in the cardamom chain and develop appropriate strategies.

- **Involve external expertise:** The involvement of external expertise for the partner organisations was invaluable. These included: expert services during the sub sector study and different activities such as the market study, the study on improved farming practices, and exposure visit programmes for the local value chain actors.



#### Case 2. Facilitating tea farmer groups to improve access to the green tea value chain

Sector: **Smallholder Cash Crops**

Country: **Vietnam**

#### The challenge:

In Thai Nguyen province (80km north of Hanoi), tea plays an important role in income and employment generation for 28 manufacturers, traders and over 66,000 households who work as tea producers/processors. Thai Nguyen green tea is famous in Vietnam and is produced predominantly for the domestic market (around 75%). The price for tea in the domestic market is significantly higher than for export. Thai Nguyen tea has demonstrated slow growth in the past few years. It has lagged behind other provinces due to low investment. All three stages of the tea value chain - production, processing and trading - reveal major weaknesses. The tea crisis of 2002-2003 was a big shock for producers and SMEs, and is still felt to this day.

#### SNV intervention:

A long term objective of the SNV support to the Thai Nguyen tea value chain is to promote its competitiveness for sustainable poverty reduction, job creation and profit increase for chain actors, especially the poor smallholder producers and

processors, through improving the quality of tea production and linkages between tea growers and processors/manufacturers.

One of SNV's support activities was to build the capacity of local service providers (such as the agriculture extension centre and plant protection sub department) to promote tea farmers' groups in four districts. The members of these groups mainly produce tea for their household income. The motivation for households to join these groups is to learn from members about tea cultivation techniques and market information, to develop more bargaining power by working with their partners (tea enterprises), to improve tea quality and to improve the linkages between themselves as producers and processors. In 2007, 30 groups were strengthened on group management, basic marketing skills, processing and other topics.

#### Achievements:

The farmers' groups have been running successfully for more than two years. The impact assessment of Integrated Pest Management





(IPM) groups, evaluation report and the analysis of the soil and dried tea quality conducted in late 2006 and 2007 highlighted the following major results of IPM groups:

- Safer tea leaves produced:** Farmers organised in groups have applied production protocols for IPM tea and are reducing their use of and exposure to chemical pesticide. Tea quality testing showed that no biocides could be found in the processed tea in IPM groups. Heavy metals in teas produced by IPM groups have been reduced significantly compared to that produced by non IPM groups. By applying IPM methodology soil quality was improved compared to traditional cultivation. More than 600 group members applied this methodology, and an even larger number of tea farmers in neighbouring areas have been influenced by the activities of these groups. They are now better able to operate in the market oriented environment.
- Increased income from green tea production:** Two IPM groups sold their tea at a nearly 50% higher price in late 2006. Fertiliser purchases have been reduced by over 75% per hectare on an annual basis.
- Improved access to the markets:** Two farmers' groups have developed a link to the market in Hanoi for selling IPM tea at a higher price than for normal tea. Apart from tea production,

farmers' groups have gradually expanded over time to include the post harvest and marketing aspects of tea. Groups have regular meetings and contact with tea enterprises as their buyers. However, the cooperation between them has not been as effective as hoped due to a lack of trust and incentives from both sides.

#### The lessons learned:

- Promote farmers' groups:** This has been an appropriate approach as through them the concepts of quality management, marketing and business linkages have been introduced.
- Build their capacity:** Capacity building for farmers groups, especially on marketing and group cooperation, are imperative and most appreciated. It worked in Thai Nguyen thanks to the existing set up and support from relevant government agencies. However, the intervention is small scale and requires intensive assistance in order to ensure that the capacity of farmer's groups is enhanced so that they can become a stronger partner with the private sector.
- Involve the private sector:** Strong involvement of the private sectors in the promotion of farmer groups and quality management is crucial from the beginning for effective integration and cooperation among key players.



### Case 3. Linking poor local communities with the tourism value chain through a community based tourism project (the Nabji trail)

Sector: **Pro-Poor Sustainable Tourism**

Country: **Bhutan**

#### The challenge:

The Jigme Singye Wangchuck National Park is located in one of the poorest districts of Central Bhutan. More than 90% of the inhabitants of the six villages inside the Park lack self-sufficiency in cereals, and their location inside a national park limits their opportunities for earning cash income. Traditionally, the people depended on the forests as a source of sustenance and income. Since the area was made a National Park, however, their use of its natural resources has been restricted and the forest is no longer the storeroom it used to be. Tourism could provide supplementary income for the inhabitants of Jigme Singye Wangchuck National Park. However, community involvement in tourism is new in Bhutan and there is limited experience in implementing community-based tourism initiatives.

#### SNV intervention:

In 2002, SNV began supporting the Department of Tourism, Department of Forestry, Royal Government of Bhutan, and the Association of Bhutanese Tour Operators in the

identification and implementation of a pilot on community tourism in Bhutan.

Together with local communities, park management and Bhutanese tour operators, a six-day trekking trail with basic camp sites has been developed in the National Park. This enables local villagers to guide tourists along the trail and through the villages, showing the natural highlights of their living environment (with the rare Golden Langur and the endangered Rufous-necked Hornbill), retracing Guru Padmasambhava's visit (the second Buddha who came to Bhutan and introduced Buddhism), and offering a place for tourists to sleep.

The Association of Bhutanese Tour Operators (ABTO) has played an important role by connecting tourists with the local communities. ABTO has taken on the role of intermediary between Bhutanese tour operators, park management and villagers, in order to facilitate sales of the trek. The linkage between different value chain actors helps both communities and tour operators by providing information on the product to overseas tour





operators and to receive their bookings (including number of tourists, need for porters and additional products). Information on group size, visiting dates and special requests (providing agricultural products like rice or fruits, the arrangement of cultural performances or a traditional hot stone bath) is communicated to the villagers through the park management.

#### Achievements:

The Nabji/ Korphu trail received its first visitors in October 2006. The six-day trek is already being marketed by 15 Bhutanese and 4 international tour operators, and about 210 households are now involved in tourism planning and the management of tourism in and around their villages. Thanks to the improved linkages between local communities and international tourists, the first year of operation attracted 70 tourists generating an estimated USD7,000 as direct and indirect revenue for the 210 households in the six villages along the trail. In 2007, the villagers received over USD10,000 from 81 tourists (visiting in 22 different groups).

The villages are currently opening up with a telephone network and might be able to organise themselves to receive bookings directly from tour operators in the long run.

#### The lessons learned:

- Adopt a multi-stakeholder approach:** Tourism is a multi-disciplinary sector and developing community tourism involves an even wider group of stakeholders. Therefore, it is very important to follow a multi-stakeholder approach optimising the final outcome of product implementation. A Steering Committee consisting of representatives of the different stakeholders (including the private sector and the local community) should guide and monitor the implementation process.
- Include tour operators and other private sector service providers:** If these are included from the start, when the product is identified, this will help to ensure its credibility. Bring the private sector to the poor! Involve them and other chain leaders (often the tour operators) and possibly the final consumers (tourists) from identification, through implementation, and up to the marketing of the product in order to make community tourism successful.
- Establish a mechanism for building and maintaining links:** This can help in product formulation and in marketing (through links with tour operators) but communication between national and local level stakeholders can be quite chal-



- lenging. Communication and information sharing is very important not only during implementation but also from a marketing perspective, to create interest with tour operators.
- Incorporate training and monitor product development:** This should be provided, preferably by or through the private sector, at different stages, in order to improve and possibly upgrade the product. Professional tour guides and/or

- professional (trekking) cooks can train local people to improve their guiding and/or cooking skills. Tour operators or tourists can help to identify new products and/or services to diversify the available tourism experience.
- Optimise the use of local resources:** Make the best possible use of local manpower and natural resources in the implementation of the product to ensure sustainable development and management of the tourism product in the long run. For example, the local community can be organised to provide porter services instead of bringing in horses from other communities or even flying in porters from elsewhere.





#### Case 4. Linking Research and Farming for Improved Sedge Cultivation

Sector: **Smallholder Cash Crops**

Country: **Vietnam**

##### The Challenge:

Sedge is a grass-like plant, cultivated in wetlands and coastal areas. It is mainly used as a raw material for handicrafts, such as mats, baskets and decorative items. In Ninh Binh province, sedge plays an important role in the livelihood of about 25,000 poor households both as a farm and as an off-farm income source. Yet, the competitiveness of Ninh Binh's sedge handicraft sector was declining, largely due to the lack of attention to high quality raw material production and processing. Through a value chain analysis, it became clear that the knowledge base on sedge was very low and that no research and development on the production of sedge had taken place which could support the development of the sector.

SNV took a strategic approach in its support to the sedge sector of Ninh Binh by linking research and farming for improved sedge cultivation. We have been working closely with Binh Minh farm (BM) in Ninh Binh Province, which is an agricultural company managing 689 hectares of land, of which 170 hectares are used for sedge planting. By 2010,

BM targets to grow sedge on 452 hectares. There are 230 permanent workers and more than 1,000 households subcontracted as out-growers.

##### SNV intervention:

- Involved BM in the sedge Value Chain analysis so that they could have a clear overview of the chain;
- Connected BM to the finishing stage so they could understand the importance of quality consistency;
- Linked BM with Hanoi University of Agriculture to improve the productivity and quality of sedge.

##### Achievements:

BM increased their production land from 170 to more than 300 hectares. And the income for the 1,000 households increased by 10% thanks to more jobs being generated by taking over other functions in the value chain.

BM has become an applied research location, working together with researchers from the University to



increase the knowledge base on sedge cultivation and application of fertilisers.

BM is providing knowledge services to smallholder sedge growers. Its management board and technical experts organise technical training for households and provide seedlings and machinery for soil preparation.

As sedge is mainly used for making handicrafts for export, it is very often sold in large quantities.

Processing the raw material, including categorising, splitting, and drying, used to be done by the raw material collectors. Being aware of lowering the value of sedge material, Binh Minh management decided to take over the role of the collectors. This not only led to the generation of more employment for the subcontracted households but also guarantees more market stability and quality consistency for the raw sedge material.

##### The lessons learned:

**Assume new roles:** The assumption of two new roles by BM has enhanced the competitiveness for the sedge handicraft producers:

- The collection of raw material has helped to reduce transaction costs by shortening the chain.
- The stimulation of applied research and development for a traditional craft product like sedge has supported the quality improvement of the product.





## 2.2 Supporting Services

Although supporting chain actors to improve their linkages with other chain actors is crucial, it is equally important to consider the service markets which are supporting the value chains. Sustainability of the interventions presented in the cases above can only be achieved if the services to the chain actors will be continued well beyond the advisory interventions from SNV.

By developing and building the capacity of service providers (both public and private), their role and impact on the chain can become more visible and clear. Examples of essential services include:

- **financial services** like access to credit;
- **business services** to develop a good plan for an enterprise; and
- **knowledge services** to increase access to technical or market information.

*Cases 5 and 6 describe how knowledge services have been used to improve the capacity of poor producers.*

However, in remote rural regions, commercial services in support of value chain actors are often lacking. Governments mostly respond to this by setting up or improving public service providers like extension or plant protection services. These are responsible for providing advice to producers through training, demonstrations and farm visits.

Farmers, however, often complain about the reliability of the service provision. It is often not tailored to the needs of the poor and incentives for these services to improve are lacking.

*Cases 7 and 8 examine how supporting services can be improved.*



### Case 5. Supporting Longan Producers with the assistance of extension service providers

Sector: **Smallholder Cash Crops**

Country: **Vietnam**

#### The challenge:

Longan is an important cash earner for many farmers in Son La province, North West Vietnam. It provides direct income to around 20,000 households and many more are employed as seasonal labour during the harvesting and processing season. The introduction of Longan started 30 years ago and was initially promoted by local authorities as a way to increase forest cover on sloping land. However in Northern Vietnam, Hung Yen province is famed for longan production and as such the focus for development of all necessary technologies is geared towards that province, while in reality the majority of the fresh fruit is produced in Son La province. As a result of these poor knowledge and information flows in the value chain, processing and production in Son La is outdated and access to necessary services is poorly organised.

#### SNV intervention:

The value chain analysis provided proof that there is strong demand

for dried longan. Consumers and traders were asked to describe in clear terms what their preferred characteristics of the fruit are and this information was used to find answers to identified production and processing constraints.

One of the main weaknesses identified from the value chain analysis was that poor producers had limited access to technical knowledge, production skills and markets. This was addressed by strengthening the capacity of extension service providers in establishing linkages with knowledge centres and supporting producers to form informal learning and marketing groups.

#### Achievements:

##### Input service providers

Private nursery owners and input service cooperatives have been supported to develop embedded services for producers on upgrading old longan varieties to new varieties through tree grafting.

##### Support for producers

The **agricultural extension work-**





ers have started to organise interested farmers into producer groups. With the groups, action plans have been developed based on identified needs. **Group management training** was provided by the extension service providers and **technical training** was provided by a fruit research institute who have identified suitable varieties.

After one season farmers have indicated that working in groups has improved their confidence and that they have managed to negotiate better prices with the traders. As a result farmers can earn up to six times more cash income per hectare of longan.

#### Support for processors

The output of processing often smelt like smoke and was too dark in colour. Processors were interviewed to identify their willingness and capacity to invest in new technology. Two **technology experts** were invited to use this information to design a new drying oven that produces output with a consumer demanded quality and fitted to the investment possibilities of processors. Together with a **provincial agriculture vocational school**, a new model has been constructed which serves as demonstration and training location for interested processors. The processing model has been introduced in a number of key communes for replication by private, family businesses.

#### The lessons learned:

- **Make good use of the information:** Analysis from the consumer back to the producer gave the necessary information required to design the correct technology upgrading interventions.
- **Search far and wide for information:** By searching for knowledge sources outside the immediate geographic intervention area (Son La), access to more accurate and up to date information was gained.
- **Ensure market analysis is thorough:** Detailed economic analysis of key actors in the chain (producers and processors) as well as price developments, gave a good indication for the design of the most appropriate technology upgrading strategies that would be cost effective for the poor.



#### Case 6. Improving knowledge for Sustainable Cane & Bamboo Handicrafts Development

Sector: **Timber and Non-Timber Forest Products**

Country: **Bhutan**

#### The challenge:

In Bhutan, numerous communities depend on traditional cane and bamboo handicrafts for the majority of their cash income activity. The poor communities of Kheng Bjokha and Langthel have been chosen for SNV support as they are heavily dependent upon such handicrafts. In Langthel, producers from the Monpa tribe are actively involved in the age-old production of traditional cane and bamboo handicrafts. In Kheng Bjokha, producers devote some 50% of their time to cane and bamboo production, and 66% of their gross income comes from this sector. But cane and bamboo resources have depleted and artisans have to travel longer distances to harvest raw materials. Product quality has not changed for a long time and they continue to produce only traditional products for the same markets. Marketing is still done informally by middlemen who visit their communities on an occasional basis.

#### SNV intervention:

The Rural Enterprise Development Programme (REDP), funded by UNDP and SNV, selected these two communities as a pilot project, to develop into a rural enterprise

model (REM).

A cane and bamboo value chain development plan, in the form of REM interventions, has been formulated with SNV support. Some of the activities being implemented include:

#### Support to sustainable resource management for cane and bamboo:

- Formation of community user groups;
- Preparation of natural resource inventory and management plan;
- Research on natural dye for cane & bamboo crafts;
- Establishment of cane & bamboo nurseries in several villages of Kheng Bjokha.

#### Skills development on processing and production:

- Training for processing and production;
- Training in quality improvement;
- Training in design;
- Provision of toolkit.

#### Market linkage Support:

- Formation of a marketing group





- to link artisans to the formal market system;
- Construction of a collection point cum showroom (which can also function as location for training activities).

#### Achievements:

##### Support to sustainable resource management for cane and bamboo:

- Management plan officially approved by the Department of Forests, thus securing access rights for 10 years for the 132 households of Bjoka, and excluding outsiders;
- Strengthened awareness and enhanced sustainable management of bamboo & cane resources.

##### Skills development on processing and production:

132 artisans from five different cane and bamboo production areas have been trained and each issued with a tool kit at the Cane and Bamboo Technology Centre (CBTC) in Gauhati, India. The training was skills development in processing and production. This pilot training was successful and, therefore, has been replicated for 200 artisans in Kheng Bjokha and Langthel by a master trainer from CBTC who has been recruited for the training. The artisans received further training (from an international design expert from Thailand) on the quality improvement of their existing prod-

ucts and in the introduction of new designs for the domestic as well as international niche markets.

Bjoka residents now produce about 20 high quality products instead of only the traditional baskets of different sizes.

Several weaving centres have been established where farmers can jointly gather to craft their products, learn from each others' techniques and monitor the quality of their products.

A solar panel has been provided by the Community Based Natural Resource Management project to generate electric light, so that farmers can complete their farm work during the day and focus on handicraft production in the evening.

##### Market linkage Support:

With the formation of the group, all members have agreed that whatever they produce will have to be sold solely through the group itself. This is currently forcing the buyers to accept the prices as determined by the villagers. The group sells around 60% of their products to the local middleman, 30% at fairs, exhibitions, and the middleman in Thimphu, and the remaining 10% at the road head showroom.

##### The lessons learned:

Based on the experiences gained



through the community-based management of NTFP in Bjoka, the following lessons have been learned:

**Sustainable management of the resources:** This has been ensured by forming a community group to whom the Government has handed over the management rights and responsibilities.

- **Involve everyone in the process:** Management prescriptions are best defined by combining traditional knowledge of farmers with technical support of extension workers and foresters.
- **Ensure sustainable management of resources:** Proper management prescriptions and clear harvesting guidelines are crucial and are even more important than calculating allowed harvesting quantities (annual harvesting limit).
- **Monitor implementation carefully:** Species that are being depleted or over-harvested should be collected in a group so that farmers can monitor each other and ensure that the prescribed harvesting guidelines are being applied properly.

##### Organisation and governance:

- **Establish clear guidelines:** By-laws for good governance of the group are as important as resource management plans for successful community based resource management.

- **Provide support:** Once groups have been formed and the management rights have been handed over to the communities, regular visits to follow-up and to provide technical support, by extension workers and foresters, are essential for the successful achievement of the defined objectives.

- **Ensure buy-in from the community:** The community's interests, commitment, participation, and feeling of ownership play a crucial role in the successful functioning of the group and the community-based management of the resources.

##### Processing and marketing:

- **Increase bargaining power:** The community group formation helped increase local peoples' bargaining power in price negotiations with traders and increased the income for farmers.
- **Attract further investment:** The formation of a group helped to attract further investments from donors and the Government in the form of financial and technical support for further product development.
- **Increase local productivity:** The weaving centres with the solar panel are instrumental to increased productivity because farmers can work on their farm during the day and focus on handicraft production in the evening.





### Case 7. Improving and diversifying the Public Services on offer to tea farmers

Sector: **Smallholder Cash Crops**

Country: **Vietnam**

#### The Challenge:

Value chain analysis had shown that tea exporters from Thai Nguyen (around 80 km North of Hanoi) faced difficulties in obtaining import certificates for the European market as chemical residues were too high.

#### SNV intervention:

SNV advisers have been targeting public service providers to raise their professional skill levels and ensure demand led orientation.

One SNV adviser, specialising in extension services, has been working since 2005 with the Thai Nguyen Provincial Plant Protection Department to diversify their service offer to tea farmers in order to reduce the use of pesticides. This approach has been successfully piloted with farmer groups.

#### Achievements:

Through this SNV advisory service an "Integrated Pest Management" training package for farmers has been developed. This training is provided by the Plant Protection Department to tea farmers. The service is sometimes paid for by the Plant Protection Department, using the state budget but more importantly, tea companies are also

starting to see the benefit of this training for their business improvement and are willing to pay for this service to farmers.

The anticipated reduction in pesticide residue in dried tea has been confirmed by the provincial health department who carry out regular fee based testing for tea enterprises.

#### Lessons Learned:

- **Offer opportunities for providers to practise:** The recommended methodology was new to the service providers and proved crucial in the success of its eventual roll out.
- **Ensure training meets local needs:** Participatory development of the training methodology for clean tea services assured that it corresponded to both the local needs and the capacity for delivery.
- **Provide additional support:** Apart from the training methodology, organisational support to the service provider to develop further project proposals to their funders was crucial for follow up beyond the SNV intervention.

### Case 8. Enhancing the skills levels of the extension network to offer improved support to longan farmers

Sector: **Smallholder Cash Crops**

Country: **Vietnam**

#### The Challenge:

Son La is a remote, mountainous province in North West Vietnam. Through the longan value chain analysis it became clear that farmers were in need of up to date, accurate technology for longan orchard management. Public service extension workers were capable of providing seedlings but did not have the capacity to deliver orchard management information.

#### SNV intervention:

An agreement was reached with the provincial extension service to provide technical support, group formation and business training to poor longan producers in order to make existing orchards more profitable.

Since 1998, SNV has been working with the Son La agricultural extension service network to increase their capacity on participatory extension service delivery and provision of market information. Having met with commune extension workers to discuss a commitment to providing a longan service package for producers, the agricultural extension office made an action plan to implement the longan services capacity building training



plan. Trainer training was held for commune extension workers and farmer groups.

#### Achievements:

The investment in capacity building has paid off. All staff of the provincial extension centre have participated in the skills development training (facilitation of farmer groups, basic business and marketing skills for farmers, and orchard management).

Staff of the provincial centre have trained staff of the six main longan





growing districts in the new methodology.

Commune extension workers from more than 80 poor communes have been trained by district and province extension staff and are now applying the new participatory methods in the field.

Farmers are applying the new technology and are starting to graft more trees. They now know that the extension workers have the skills to provide advice to them and consult them on a regular basis.

#### Lessons Learned:

In order to create outreach at the producer level it was necessary to develop a long term process of upgrading generic extension skills in order to make sure that the technical information on longan was delivered in the correct manner.

- **Involve the provincial centre:** This ensured that the methodology was officially adopted and incorporated into the working principles of all extension workers; something that could not have been achieved with direct interventions at the field level.
- **Provide reference materials:** The designing and printing of materials for extension staff and farmers took time but was essential as farmers and exten-

sion workers now have some useful materials to refer back to.

- **Instil confidence through training:** Creating opportunities for extension workers to practise with the new methodology (under guidance and coaching from SNV advisers) was crucial in order to give them the confidence to continue using it.



## 2.3 Enhancing the Enabling Environment

Many of the constraints faced in pro-poor development are often found in how the value chains are steered and how rules and regulations are applied. Support to the enabling environment surrounding the chain can shed a different light on how the poor can be better integrated into the chain or how a province can attract investment from the private sector to generate income and employment.

Various stakeholders such as the private sector, the government and non governmental organisations play different roles in the value chain. One effective way to support linkages in the chain, both horizontally and vertically, is through stakeholder dialogues, or workshops. They promote awareness and common understanding and establish linkages between actors in the chain. They also create momentum and commitment for follow up by a variety of stakeholders.

*Cases 9 and 10 document our experience in enhancing the enabling environment of the selected value chains.*





### Case 9. Supporting an Association of Small and Medium Enterprises for business development

Sector: **Smallholder Cash Crops**

Country: **Vietnam**

#### The Challenge:

Ninh Binh province's (around 80 km south of Hanoi) strong economic development has been attributed to the growth of the private sector. To ensure this growth continues, the provincial authorities wish to develop a positive investment environment. Measures such as ensuring transparency in policy making and the provision of private sector development services could contribute to this.

A dialogue forum, started by the provincial government, which allows discussion and facilitates problem-solving, has already been welcomed by local enterprises.

Ninh Binh ASME (Association of Small and Medium Enterprises) was established in October 2004 with the aim to represent its members, assist their development, protect their rights and contribute to the creation of a favourable business environment. However, as a newly established association in a province where private sector development was in its infancy, the grassroots leadership, as well as the capabilities of the association, were weak.

#### SNV Intervention:

Realising that the ASME's broad membership could play a useful role in policy making and review for the province, SNV supported the association from early on. Initial advice focused on preparing documents for registering the association, developing its charter and organising a launch event.

Once established, SNV advisers helped the association to build a shared vision (through vision building exercises with executive board members) and to develop a strategic action plan for its first two years. Clear working mechanisms for the executive board were identified and a secretariat hired.

A valuable activity of ASME has been to organise seminars in order to foster dialogue between government agencies and the small and medium enterprises (SME) community. Speakers from relevant government departments have been invited to give presentations and discuss the challenges SMEs face with regards to taxation, environmental regulation and other business issues.



SNV has played a process facilitation role in these seminars. For example, the advisers provided support in the design of a questionnaire that was used to survey member-enterprises for issues as input for the seminars. The facilitation skills of ASME's executive board have also been strengthened by on the job coaching from SNV advisers.

As the primary challenge facing SMEs in rural areas of Ninh Binh is limited management capacity, management training has been the core service provided to members. SNV has provided support on training needs assessments and training curriculum design to ensure that the needs of members are met.

#### Achievements:

The results of our advisory support are that ASME has grown stronger, and participation of SMEs throughout the province has increased. The association has been able to gain the trust of its members and the local authorities, and initial results, achieved through working with provincial departments, have been encouraging.

Important business events in the province which used to be organised by government agencies (such as the Vietnamese Entrepreneurs' Day, and policy consultation hearings with SMEs) are now organised by ASME.

The association's growing reputation has also allowed it to help members access various business support schemes (for example low-interest government loans). ASME has also been awarded government funding to train its members. The motivation and ownership of the membership has increased in line with the number of services on offer to them.

ASME offers a 'brokerage' service to match members' businesses together. Three to five percent of any profit resulting from any business matching is given to ASME to fund the organisation's activities.

Mr. Mai The He, Chairman of ASME, says that collaborating with SNV has given him a more strategic point of view. 'I am now able to see how the association should develop in the long run,' he says. 'I realise that ASME should be self-financing to ensure sustainable growth. I also realise that with more than 90 members, ASME cannot address all the constraints faced by each of the individual enterprises, but we can represent them and provide some generic business services.'

#### Lessons learned:

There are a number of common characteristics of a successful Business Membership Organisation (BMO) (see the end of Case 10).





**Case 10. Supporting an Owner's Association to develop member services**  
Sector: **Renewable Energy**  
Country: **Nepal**

**The Challenge:**

For centuries, watermills (Ghatta) have been used by rural Nepali communities for grinding cereals. The availability and reliability of watermills in part determines the quality of life in hilly or mountainous areas - adequate milling services reduce the burden of carrying heavy loads of cereals over long distances. This task is often performed by women and children. The watermills themselves provide a livelihood for extremely poor families who are typically landless and illiterate, with few other employment opportunities open to them. However, in recent years the viability of operating traditional watermills has come under threat because of competition from faster diesel-powered mills, and also because of declining water levels due to upstream activity and environmental degradation. The millers have also become increasingly vulnerable to unfair treatment at the hands of others, since their interests have not been represented by any organisation.

**SNV Intervention:**

As a response, in 2002, SNV and a local NGO, the Centre for Rural Technology (CRT), developed the Improved Water Mills (IWM) Support Programme. The aim of the programme was to empower the water millers and improve the services they could offer, in order to improve the livelihoods of both the millers themselves and the communities they serve.

In order to make the programme sustainable, SNV developed the capacities of CRT so they could in turn support the other local organisations involved in the IWM Programme.

Kavre district, in the centre of Nepal, is one of the areas selected for the programme. When the IWM programme began, the traditional water millers of Kavre operated in isolation, since they lacked opportunities to meet. Therefore, the first step was to talk to them about the advantages of joining together to exchange experi-

ences. Once the millers gave their consent, local level Ghatta Owners' Groups were organised throughout the district to allow similar exchanges to take place.

After some time, it became apparent that many of the issues facing the millers (such as negotiations with third parties and capacity development needs) could be resolved locally by the Owners' Groups. However, it also became obvious that there were other issues related to registration, tax and water rights which required advocacy and representation at a higher level. This resulted in the formation of a district level Ghatta Owner's Association (GOA Kavre).



After GOA Kavre had been operating for about two years, a participatory analysis was conducted to develop strategies for improving GOA Kavre's functions as an organisation. Following this, operational improvements were made, a vision agreed and plans set out for the future. The analysis identified several priority needs, including management training for key GOA members, and establishing a full time secretariat, both of which were subsequently arranged.

**Achievements:**

Almost 100 members attended GOA Kavre's first Annual General Meeting in 2003. The Association (with assistance from the Alternative Energy Promotion Centre, an apex governmental body for the promotion of renewable energy) became a 'service centre' for the district, with four technicians able to maintain and improve its watermills. It also organised a workshop in the district to inform others about its services. Word spread, and participants at the second Annual General Meeting in 2004 more than tripled.

The association now has almost 600 members and is able to provide a range of services to them. GOA Kavre has also been able to establish itself as a known actor in the district, and interest in the organisation has surged as it has proved its worth.



The association has been able to advocate on behalf of its members, for example successfully winning compensation for mill owners affected by upstream activity and negotiating an agreement that river water be used in a balanced way during the four months of the dry season.

It is able to offer a number of services to members, including providing training on maintenance and gender awareness. More than 300 watermills have been made more efficient by GOA technicians; some are also now able to offer other services such as battery charging, rice hulling and wood sawing.

Marketing has proved to be an important service for members. GOA Kavre identified a strong potential market for flour milled in a watermill, which is a superior product to flour produced in a diesel mill. It tastes better as the flour is not burnt by the higher speed of the more modern process; it also contains more nutrients and lasts longer when stored.

Traditionally, millers take a cut of the produce they mill instead of a cash payment, and those who produce a surplus above what their families consumed would sell it locally. However, today GOA Kavre packages and sells watermill processed flour in urban centres

(where the profit margin is much higher), and is now examining how to further increase its market share.

**Lessons learned:**

There are a number of common characteristics of a successful Business Membership Organisation:

- **Strong ownership and common interest:** BMOs formed by businesses – rather than by other organisations – to address a common issue are usually the most successful. In other words, a strong common interest among the members often produces an effective BMO.



- **Strong membership:** This is based on the number of members, their commitment, financial status and political influence. In addition, BMOs should have accurate information on membership numbers, their enterprises, problems, ambitions and expectations.
  - **Capable leaders:** BMO's leaders are responsible for its long term vision, policies and strategies, and must supervise the secretariat to monitor day-to-day operations. Office bearers should therefore be democratically elected and must have basic skills related to leadership and networking. They should also be honest (and be known to be honest), committed to the aims of the BMO, have good contacts with the authorities and be able to personally identify with the membership.
  - **Competent and committed secretariat:** Office bearers have a fixed tenure but the secretariat is (in principle) permanent. The secretariat is responsible for translating the vision and strategies set by the office bearers into specific action.
  - **Focus:** BMOs which are focused on their main purpose are more effective than those which try to do too much. Successful BMOs do not continually look around
- for more services to offer but stick to what they are good at and try to do it as well as they can.
- **Financial transparency:** The best BMOs undertake proper book-keeping and are financially transparent. They are in a position to show total income and give an accurate and verifiable account of how this income is used. The members should be informed about the financial status of their BMO on a regular basis, in order to help maintain trust.
  - **Diversified resource base:** BMOs that have a diversified funding base are the most secure. Many BMOs rely upon membership fees for all or most of their income, but reliance on a single source may make an organisation vulnerable.



# Section Three – The Lessons Learned







This section summarises some of the key lessons which SNV Asia has learned in applying the value chain development approach. The lessons learned will look at more generic elements of pro-poor value chain development, as well as attempting to provide answers to one of the core challenges: how to ensure that the potential benefits from value chains actually reach the poor?

## 3.1 Guiding principles in pro-poor value chain development

In section 1.4 the steps involved in value chain development were outlined. In this section some of the lessons learned are clustered into 3 main areas, reflecting the six steps outlined above.

- **Analysis:** steps 1 to 4, as we have to understand the value chain before considering what action to take,
- **Action:** step 5, as the design of interventions is critical, and
- **Assessment:** step 6, as the assessment of development results is another important element, not just to demonstrate what has been achieved but also to learn from the approach and hopefully improve on it before it is implemented again in future.



### Analysis – selection and analysis of value chains and market based solutions

A good analysis of the current situation is crucial for the selection of value chains and potential market based solutions. It is necessary to find a delicate balance here between the needs of the poor and the demand of the market. One limiting factor for market based solutions is that often the poor live in remote locations where markets are less developed and as a result solutions may not be easily visible at first. That is where a good, in-depth analysis (extending beyond the immediate geographical scope) is essential.

#### A few principles we follow are:

- **Pro-Poor focus:** concentrate on the needs of the poor and maximise opportunities for increased participation of the poor,
- **Market first:** start with an assessment of pro-poor market potential to be used as a benchmark for obtaining development results,
- **Demand led:** build on demand from local organisations and initiatives.
- **How to get an initial picture of the chain?** Interview a few active actors in the chain (via focus group discussion-FGD). Analysis can be done over time, beginning with a general overview and then with more in-depth analysis taking place at a later stage, as and when the need arises.
- **How to avoid raising involved actors' expectations during the analysis?** Involving unsuitable local actors might slow down the whole process. Action learning or combining analysis

From our work in applying pro-poor value chain development we have encountered a number of challenges and derived some generic solutions:







with small scale actions will help to stimulate the interest of the actors with a quick win. Be selective with the partner organisation, who could be involved in the analysis from the beginning as well as in any follow up action. Consider the value chain approach as a combination of implementation and capacity building for local partners/clients.

- **How to establish the critical path of the chain?** Focus the analysis on a certain dimension of the value chain, such as job generation, trade volume or profit margins.

### Action – development of market-oriented interventions

This, of course, is where most of the work is done. Most of the examples given in section 2 refer to specific interventions that have taken place in and around value chains. Important elements in the design of the interventions are to keep the focus on results and impact and to try to crowd-in as many others as possible. Most impact is often achieved if self-replication or copy-cats emerge. Quality control is also important though as the true improvements are often found in



the details.

#### A few principles we follow in this step are:

- **Process:** ensure value chain development is a continuous process,
- **Entry point:** use private sector engagement as a benchmark for determining the validity of a proposed action,
- **Multi actor approach:** involve the private sector, government and civil society,
- **Service delivery:** adopt an optimal mix between public and private services depending on the local context and the existing state of demand and supply of services,
- **Chain leader:** identify an appropriate chain leader or champion,
- **Business Membership Organisations:** whenever appropriate, involve business membership organisations to gain networking, lobbying and advocacy benefit.

#### Assessment – measurement of results

Measuring impact is a crucial, yet difficult step in any value chain project. It is often only done after interventions have been implemented.

#### A few principles we follow are:

- **Impact definition:** set clear

indicators or benchmarks to measure impact,

- **Intermediate indicators:** use intermediate (process) indicators to guide activities and to design a step by step approach leading to the final desired impact.

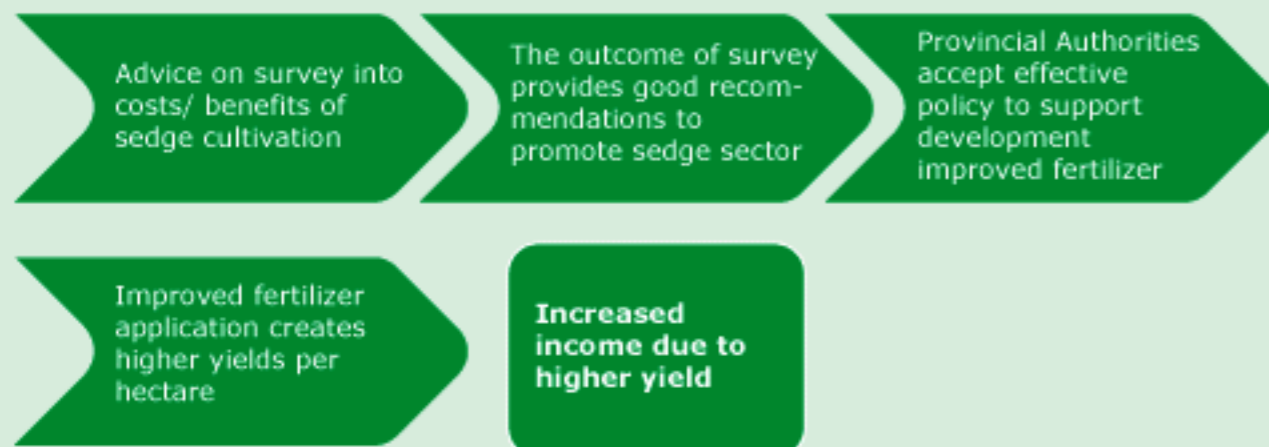
#### Example 1:

Using *intermediate indicators* can be very helpful to guide activities and to design a step by step approach leading to the final desired impact. Usually, it takes several steps before a situation has been created that leads to a sustainable higher income for the target group.





### An example of how intermediate steps are used to work towards the final impact on increased income for sedge farmers.



**Creating a pathway of change breaks down the final desired impact into smaller, intermediate steps describing what is achieved.**



#### Example 2:

Baseline data are the starting point for many impact measurements. It is therefore crucial to obtain baseline data. In the cardamom value chain in Nepal, extensive baseline data were obtained during the assessment and analysis phase before starting interventions. Assessing change was done by analysing the savings that were made through improved drying ovens.

Measuring impact using financial data can be difficult. Often, enterprises and traders are not willing to share information on prices, profit margins and cost levels. In Nepal, this was overcome by building the trust with these actors.

#### Example 3:

In Lao PDR, in supporting the development of village enterprises for the marketing of Non-Timber Forest Products, the outcomes of the impact measurement were used to demonstrate the practice to other organisations and villages. Very successful was the peer-to-peer approach in demonstrating the outcomes of the village enterprises. A group of villagers went to tell other villages about their improved practice, thereby creating awareness and interest. It proved to be a successful way of replicating the outcomes of the interventions.

According to Ekanath, SNV adviser in Taplejung, this approach proved to be crucial: "We gave traders a central role in the interventions and thereby created trust and had more access to the real figures of market potential and profitability".

How to design indicators that match the interventions and capture the desired outcomes? "There is no standard way of approaching this, but involving value chain actors to come up with indicators is an effective way to address this".

What to do with the outcome of the assessment? "Assessing outcomes is not just done to come up with an evaluation report. The outcomes should be used to trigger replication of the success or to improve the approach in a next phase".



## 3.2 Reaching the poor

The main impact of value chain development interventions should be on the poor. Therefore, the following principles are essential in order to keep the focus on the rural poor:

- identifying who the poor are and what their needs are in the initial analysis;
- ensuring a flow of information in the chain;
- addressing the perception of chain actors towards the poor as producers;
- tackling the lack of appropriate technology development;
- valuing the importance of knowledge and skills services; and
- designing and implementing pro-poor market based interventions.



In this context, SNV Asia has been involved in a variety of rural pro-poor value chain development interventions, as outlined in the cases in section 2 of this document. A specific example on how whole analysis can be done purely from a pro-poor perspective is presented below.



### Example 4:

SNV Lao PDR commissioned a value chain appraisal of the tourism sector in Luang Prabang. The study specifically looked at the participation of the poor in the tourism value chain as well as identifying potential opportunities to increase their participation and earnings in the different parts of the value chain.

From our effort to reach the poor we have encountered a number of challenges and derived some important generic solutions:

- **Involvement:** Address and involve the poor who have some potential for economic integration and development in order to ensure positive results;
- **Opportunities:** Identify the poor in the chain and the associated opportunities as this will help in the design of more strategic and focused interventions;
- **Exit strategy:** work this out in advance to ensure the sustainability of the intervention.

### Assessment of Luang Prabang tourism economy and opportunities for the poor

An important and immediate question raised, at the start of the analysis, was 'who are the poor?' and 'how narrowly do we want to define the target group of beneficiaries?' There is no simple answer to this, as income, assets, livelihood security, urban-rural location, and role in the household are all relevant to defining poverty and SNV's target group. Overall, the work focused on the ways in which benefits flow to un-skilled and semi-skilled Lao people, and particularly to those above or below the Lao poverty line.

The basic approach of the analysis was to map the financial flows in the tourism value chain by combining information from the following three directions

- 1 **from the consumer:** how much do tourists spend in the Luang Prabang (LPB) economy and on what;
- 2 **from the enterprise or retail level:** what restaurants, crafts vendors, drivers etc. sell to tourists: turnover of goods and services sold to tourists; and
- 3 **from the producer level:** what do direct producers and workers earn.

The study revealed that in the Luang Prabang Tourism economy, the food and beverage sub-chain is the largest source of earnings for the poor, both in terms of dollars and as a percentage of tourist expenditure. Crafts are the second most important sub-chain.





## Looking forward

This process of documentation has been a collaborative effort from a group of SNV advisers not only to share their experiences on applying the value chain approach but also to learn from each other. We, therefore, see this booklet as a first step in the process of continuous learning and improving our knowledge and skills on pro-poor development, making use of the tools and methods that the value chain approach offers us. It will help us to further develop our products and improve the quality of the capacity development services we continue to offer our clients and partners.

SNV would welcome any feedback you may have on this booklet and we invite you to share it with us. You can contact Mr. Eelco Baan, Network Leader Smallholder Cash Crops, SNV Asia, [ebaan@snvworld.org](mailto:ebaan@snvworld.org). Also, visit [www.snvworld.org](http://www.snvworld.org) for more information about the work that SNV does and for further results from value chain development cases.

## References & Suggestions for Further Reading

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