



Value Chain Analysis for Development: Providing Evidence for Better Policies and Operations in Agricultural Value Chains

Conference Synthesis

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Value chain analyses assist in informing policy dialogue and investment operations. They help the understanding of how agricultural development fits within market dynamics. They permit an assessment of the value chains' impact on smallholders, businesses, society and environment.

The European Commission has developed a standardised methodological framework for analysis (https://capacity4dev.europa.eu/projects/value-chain-analysis-for-development-vca4d/info/1-vca4d-methodology_en) It aims to understand to what extent the value chain allows for inclusive growth and whether it is both socially and environmentally sustainable.

Main points

Based on the assessment of economic, social and environmental performances of 45 Value Chains (VCs) by the VCA4D project, the following lessons emerged:

- While upgrading strategies often focus on technical change at production and processing stages, policy makers should pay more attention to public and private governance settings in order to ensure inclusive transformative pathways
- Export-oriented VCs are not necessarily less aligned with agroecological principles than short-distance VCs that are more integrated in local food systems
- Mechanisms that ensure higher farmgate price is an alternative to ones that foster productivity and have immediate impact, but they may still have insufficient impact for small farmers' income when volumes of productions are limited, and should be coupled with safety net mechanisms

- VCA4D studies show that environmental impacts are mainly observed at the production stage while mid-stream activities have less impact, although attention should be given to energy costs and sources, and pollution
- Private investment, often associated with the application of norms, is not necessarily opposed to an inclusive growth when proper support mechanisms (training, credit, transitory financial support) are implemented to allow resources for poor farmer to adapt and respond to new standards. Public policies remain pivotal to reduce risks and inequalities both for production and mid-stream actors
- Customary land tenure, versus the promotion of formal land rights are not opposed with regards to value chain upgrading and technical changes
- "Gendered" VCs driven by female social networks are an effective mechanism to ensure the empowerment of vulnerable groups
- The so-called informal, traditional VCs typically receive less attention in terms of policy and development strategies formulation, while they provide impactful opportunities for achieving inclusive growth with appropriate funding mechanisms and adapted innovation
- Rather than opposing formal and informal value chains, or local and export markets, VCA4D studies attest that there is a continuum of interdependent sub-systems offering complementary sources of income
- The VCA4D methodology is proving successful in providing evidence-based information that support decision-makers in their processes. Strengthening the ownership of the VCA4D approach and findings among development stakeholders is necessary to maximise the impact of VCA4D on policy dialogue.

1. CONTEXT AND OBJECTIVE

1.1 Value chain analysis for development

In his opening remarks of the VCA4D Conference, Koen Doens (Director General, DG INTPA) recalls that value chains (VC) are a privileged entry point for the implementation of EU strategies to achieve income growth, improve economic resilience, reduce poverty and strengthen food security in partners countries.

VCA4D has been formulated in the context of private-public blended finance strategies following the African Union Malabo declaration in 2014, on the ways and means to accelerate rural development. The VCA4D methodology is holistic and multidisciplinary, and aims to assess the economic, social and environmental performance of selected value chains and their capacity to contribute to sustainable and inclusive growth. It offers an analytical framework to European Delegations and their country partners that helps to assess the impact of donors' investment in value chain support, in relation or not with private Foreign Direct Investments (FDI). The assessment provides a set of quantitative and qualitative indicators structured around 4 framing questions: i) what is the contribution of the VC to economic growth?; ii) is this growth inclusive?; iii) is the VC socially sustainable?; and iv) is the VC environmentally sustainable?

VCA4D is implemented by Agrinatura, the European Alliance on Agricultural Knowledge for Development, which mobilises its members and partners to provide expertise. The involvement of researchers ensures a high level of expertise and an independent in-depth analysis of the challenges faced by VC development. VCA4D provides an enabling framework for long-term partnership, while allowing research results to be delivered within a timeline/window of opportunity that is useful to policy makers.

1.2 The VCA4D Conference

Since its inception in 2016, VCA4D has performed more than 45 studies at the request of EU Delegations on a range of agricultural products and countries in Africa, Latin America and Asia. The VCA4D Conference, organised both onsite in Brussels and online on 18th and 19th January 2023, aimed at i) taking stock of lessons learnt from the capital of knowledge produced by VCA4D regarding the contribution of the VCs to achieve inclusive and sustainable development, ii) addressing methodological challenges, and iii) discussing perspectives for better support to the decision-making process. More than 500 scholars, experts, decisions-makers, development practitioners and VC stakeholders including farmers organisations attended and contributed to the Conference.

The discussion was supported by 14 papers proposed and prepared by Agrinatura and VCA4D experts that focused on thematic issues cutting across several VC studies, completed by panels of decision-makers, scholars and stakeholders.

The Conference was structured around 4 sessions addressing the following issues:

- 1: Having a common method of analysis for better policy formulation?
- 2: The role of the midstream sector in generating income and alleviating poverty: how can policy leverage positive effects?
- 3: Actors' empowerment and power relations in value chains: what impact on value chains sustainability and development?
- 4: How can value chains be a vehicle for realising inclusive and sustainable growth?

The outcomes of intense and fruitful exchanges over this two-day-Conference is presented in three parts, starting with i) findings and issues regarding the role of VCs in the development process; followed by ii) methodological considerations on VC analysis; and iii) strengthening the policy dialogue between EU and country partners, notably through capacity strengthening of decision makers and policy analysts. The Conference concluded on the necessity for strengthening the ownership of VCA4D approach and findings among development stakeholders to maximise the impact of VCA4D on policy dialogue.

2 FINDINGS AND ISSUES

2.1 Inclusiveness and upgrading of value chains

Land tenure systems are a determinant factor of the farmers' capacity to be part of the agricultural systems transformation. The review of VCA4D case-studies shows that customary land tenure versus the promotion of formal land rights are not necessarily opposed, with regards to value chain upgrading and technical changes; this applies even in the case of perennial crops, as far as customary land rights allow access to financial resources (collaterals) for investing in improved cultural practices. It was also emphasised that land leasing should be regulated to reduce the risk of exclusion.

Increasing productivity through access to agricultural inputs is usually considered as another lever to support and maintain the inclusiveness of smaller actors in upgrading VCs. The review of national input subsidies programs in different VCA4D cases did not show any obvious positive impact. Business-to-farmer models managed within the perimeter of a VC could offer a more viable alternative, not necessarily through the mediation of an aggregator combining both agri-input supply and agricultural output purchase. As a matter of fact, to be effective, these systems should be backed-up by collective action and operational producers' organisation to reduce potential asymmetries and power imbalances with mid-stream actors. Building trust and reducing risks through price stabilisation are also required to ensure inclusiveness in intensification processes.

In terms of environmental impact, VCA4D studies show that impacts are mainly observed at the productive stage while mid-stream activities have less impact, although attention should be given to energy costs and sources, and pollution (promoting options for recycling waste to minimize the impact).

2.2 Risks and investments in productivity gain

A number of contributions addressed the issue of unequal exposure to risks among value chain actors as one of the major mechanisms of exclusion and hampering development in a VC. While the exposure of farmers to both climatic (yield) and market (price) risks is given and recurrently stated, it was also stated that other VC actors are facing risks. In particular, mid-stream actors are facing a number of risks and uncertainties that impact on marketing costs while they play a key role to ensure food security.

Investing in VCs requires policies that contribute to reducing risks and uncertainties. For instance, institutional purchases (school feeding programmes, state-based and collective purchases, etc.), in particular to respond to the needs of vulnerable groups, can be an instrument that generates a stable market which could incite VC actors to enhance their technology and productivity. Upgrading processes that target quality improvements and match international market requirements could benefit from public support to stabilise and enhance quality at the production stage. It was also underlined that private investment, often associated with the application of norms, is not necessarily opposed to an inclusive growth when proper support mechanisms (training, credit, transitory financial support) are implemented to allow resources for poor farmer to adapt and respond to new standards. These upgrading processes could even generate positive externalities beyond the targeted VC (emulation of the upgrading VC practices to other VCs).

2.3 Formal versus informal value chains

While upgrading processes and strategies target primarily export-oriented VCs and/or industrial process-based agri-food VCs, sub-value chains targeting food urban markets with low capital intensity do also contribute significantly to economic growth and employment generation in both rural and urban areas. The so-called informal, traditional VCs usually receive less attention in terms of policy and development strategies formulation but can still provide impactful opportunities for achieving inclusive growth with appropriate funding mechanisms and adapted innovation. The case of "gendered" VCs driven by female social networks was mentioned as an effective mechanism to ensure the empowerment of vulnerable groups, while upgrading processes can also lead to the exclusion of resources-poor-actors that cannot invest in new practices.

Rather than opposing formal and informal value chains, or local and export markets, VCA4D studies attest that there is a continuum of interdependent sub-systems offering complementary sources of income, in particular when local markets allow the sale of products that do not respond to global standards. Along the same line, it was also emphasised that small scale farms should be considered as private entrepreneurs with capacity to invest in technical changes, provided that funding can be channelled to them when appropriate institutional arrangements are in place (collective action, Farmers Organisations (FO), cooperative, etc).

2.4 Equity, empowerment and VC governance

Investing and supporting VC development is primarily seen as a lever to reduce poverty through the generation of income and employment, at the production stage in particular, associated with empowerment mechanisms to reduce power asymmetries among value chains actors.

The discussions emphasised the need to combine quantitative and qualitative assessments of VC impacts with regards to equity and empowerment. The number of created jobs and income distribution are not an objective per se, as one should also consider the type of jobs generated and their capacity to ensure a decent living. Informal VCs targeting local food markets show high potentials in terms of job creation but with limited income level and discontinuous employment that hamper living conditions in both rural and urban areas. These jobs are conceptualised as “unproductive” by the ILO if they do not lead to a decent living.

At the farm level, beyond the risk of marginalising smallholders in upgrading processes, the issue of distribution of net income between farmers and mid-stream actors was extensively discussed. It was highlighted that productivity gains at farm level through innovation was not necessarily the most feasible way for increasing smallholders’ income share as their capital base and limited resources do not always allow them to achieve these technical changes. Promoting mechanisms (e.g. farm gate price regulation mechanisms) that ensure a higher share of net income generated by VCs, even if they can be financially sustained and afforded by large agro-industrial actors, could not also necessarily be sufficient to the smaller farmers who have a limited volume of production; in these situations, social safety nets will be required for the most vulnerable groups.

It was also pointed out that in the long term, the transformative impact of these mechanisms, whether targeting better jobs or promoting higher farm gate price, could only be sustained if vulnerable groups within the VC are empowered. Maintaining and strengthening institutional arrangements that reduce power asymmetries require a continuous strengthening of vulnerable actors’ capacities to act collectively (FO, actors association) and to claim their rights. These capacities are, to a large extent, conditioned by the legal context and the enforcement of individual and collective rights. It was reminded that acknowledging indigenous groups’ rights and considering political repression and violence (particularly against women), are factors that weight heavily on the potential of VC-based strategies to effectively improve living conditions. This is notably the case for women, whom empowerment in economic processes and thus in VC functioning, is driven by complex multifactorial dynamic situations. For instance, women’s position in land tenure systems does not only depend on a formal legal framework, but also on social mechanisms that may limit its enforcement. Socio-cultural norms may impede law enforcement and maintain a lack of knowledge on entitlement rights.

Governance systems are key to ensure the channelling of benefits to the poorest VC actors. It was noted that formal VC with private norms, pushing farmers to be price-takers with limited means to defend their interests, can be more selectively disadvantageous than informal VCs with spot market-based transactions, prevailing in informal VCs. Promotion of more efficient and inclusive governance systems (platforms, effective inter-professional bodies) is crucial to ensure that incentives and shared benefits reach all farmers. For instance, long-term delivery contracts between farmers and agro-food industries associated with effective collective action (Farmers associations, Cooperatives) have more potential to reduce the living income gap. Land tenure governance systems can provide the basis for more equitable governance, for instance enforcing the legal framework for private land leasing for export-oriented VCs.

Private norms and public regulations can be complementary where the VC has an important weight in the economy, in particular if natural resources are under threat (i.e. deforestation...). While upgrading strategies

often focus on technical change at production and processing stages, it was underlined that policy makers should pay more attention to public and private governance settings in order to ensure inclusive transformative pathways.

2.5 Beyond the chain and the value

Value chains are considered by development partners as a privileged pathway to promote and achieve sustainable development. However, it should be acknowledged that the behaviour and interest of actors involved in VCs, together with the social and economic transformation at play, cannot be fully understood and addressed within the sole perimeter of a VC.

A VC is analytically conceived as a sub-component of a wider system of economic, social and natural resources, looking at the process of value addition from the raw materials to the processing stage of a product. Being embedded into a wider and more complex system, value chain analysis and issues could be articulated with other development approaches and challenges such as agroecological transition, territorial development, food systems approaches, etc.

For instance, farmers are very often engaged in several on-farm and off-farm activities and their interest in supplying a specific crop to a VC cannot be thoroughly analysed without considering how this specific crop production fits within the farming system as a whole. This is particularly the case for crop-livestock integrated systems where a range of services and outputs generated by the livestock component (manure, animal power...) is directly used in cropping activities which in return provide feed to the animals.

Accordingly, some selected VCA4D value chains were compared with regards to their capacity to promote and be aligned with agroecological principles as defined by the HLPE on Food Security and Nutrition in 2019. It was shown that export-oriented VCs are not necessarily less aligned with the agroecological principles than short-distance VC that are more integrated in local food systems. Similarly, the certification process does not guarantee that VC operations will be more aligned with the agroecological principles since the alignment of VC operations concerning equity and social responsibility principles is generally less enforced compared to standard on production techniques and practices.

The complexity of VC interactions within its socio-economic environment, also encompasses a wider set of relations between actors than monetary based transactions. The use of non-priced assets, goods and services in processes means that VC dynamics cannot always be fully understood through the lens of price formation mechanisms and that social, historical, moral values are also shaping actors' behaviour beyond the quest for profit within a pure business setting. However, considering this complexity has methodological and analytical implications on how to incorporate these dimensions in the current VCA4D methodology without loading it too much and jeopardizing its practical application in the field.

3 MEASURING VALUE CHAIN PERFORMANCES

VCA4D has established a comprehensive methodological framework aiming at providing a systematic quantitative and qualitative appraisal of VCs with regards to their economic, social and environmental performance. This analytical framework has been applied to more than 45 cases to date, including a large array of products, countries and contexts, validating its relevance and robustness. While the issues addressed by the EU Delegations and the context would call to put more emphasis on certain parts of the method, experts were requested to provide a systematic and comprehensive assessment. While the optimisation of the resource allocated in the expertise may support the idea of adjusting the method to the particularities of a given context and issue, the experience shows that a systematic framework of analysis favours the inclusion of neglected issues into decision-making. The standardisation of the method was perceived by end users in the Delegations as an asset because it offered a common language with empirical arguments.

While the review of the VCA4D methodological framework was not an explicit objective and awaited outcome of the Conference, the review and share of the lessons learned from the studies bring about the discussion of the methodology, its analytical capacities as well as its implementation.

3.1 Conceptual development

In terms of analytical background, remarks concerned both the lack of references used within a given disciplinary field and the articulation and integration of these different approaches. The lack of mobilisation of a more explicit set of concepts on value chain governance was noted, with the reference to the methodological framework developed by G. Gereffi and other scholars, in order to give more weight on this dimension in the assessment. Similarly, it was proposed to give more importance to the institutional and policy context in which the VC operates. This domain is, to a large extent, addressed in the presentation and discussion of the issues tackled by the expertise and the delineation of the system boundaries, but their implications on the VC performance could be further elaborated.

It was acknowledged that the Social Profile covers a comprehensive set of critical domains but it was suggested that the analytical capacity of this set of indicators would be enhanced if their interactions were further explored along an intersectional perspective. With regards to the environmental assessment, it was noted that the Life Cycle Assessment (LCA) approach allows assessment of the environmental impact of the VC but it would be relevant to also consider how environmental changes (climate change, biodiversity losses, drought occurrences...) could in return impact on the VC operations. It is also highlighted that LCA approach does not identify all the relevant environmental challenges at country level.

The VCA4D methodology generates a set of outcomes and indicators, but does not propose a way to gather all these indicators into a combined sustainability benchmark grade for decision-making. This is an explicit methodological choice, assuming that trade-offs between the different dimensions of VC performance should be the outcome of the decision-making and policy dialogue, considering the context and primary objective associated with the VC development.

Nevertheless, it was proposed to take better account of the articulation of the social and economic dimensions, by mobilising the New Institutional Economic analytical framework to underline how institutional arrangements and their social, historical background could impact on the economic performance of a VC. The possible internalisation into the economic assessment of externalities induced by resource depletion or saving, and the need to address more clearly risks and constraints associated with technical and organisational changes (transaction costs) were also mentioned.

3.2 Enriching the methodology in a feasible manner

The integration of complementary analytical frameworks is not on the short-term agenda of VCA4D, although the discussions allowed to better position its methodological options within the theoretical and methodological landscape on VC analysis.

It is necessary to consider the feasibility of any development of the VCA4D toolbox as each study should be implemented in a given perimeter of resources (availability of expertise, funding and time). Any methodological development may require more time for data collection and analysis, while the gain in terms of decision-making process would not be worth it. The capacity of decision-makers to digest and own the outcome of the expertise should also be taken into consideration.

However, a number of lessons and related methodological options discussed during the Conference could be considered to be integrated into the VCA4D methodology. For instance, the Living Income gap approach could be added into the set of indicators produced, provided that the Living Income benchmark is available in the country where the VC is assessed and that estimating the weight of the VC in household income does not require extensive data collection.

It was also proposed to further enhance the gender dimension throughout the analysis (for example using sex-

disaggregated data), and to reflect on strengthening the Social Profile with more quantitative indicators, as the available statistics seldom provide such breakdown in their publications.

The limit of the VC approach to address issues such as agroecological transition, or to deal with a range of agricultural products, at a territorial scale for instance, was noted. Broadening the perimeters of the system under assessment is methodologically possible but would require more resources and time to timely respond to decision-makers' requirements. Rather than expanding the scope of the analysis and the boundaries of the system, it might be much more relevant to clearly mobilize complementary approaches to the VCA4D framework whenever this is required to fully respond to issues raised by decision-makers.

4 DECISION-MAKING PROCESSES AND CAPACITY STRENGTHENING

VCA4D has been designed primarily to support the reflection of EU Delegations staff to select and formulate their priorities. Compared to other similar projects supporting decision-making for VC development, the formulation of the issues and the selection of the VC to be analysed in particular, is not in the scope of the method, but is driven by the Delegations beforehand. VCA4D does not provide a method to screen and prioritise VCs. The incorporation of the assessment's outcome in the decision-making process and policy dialogue remains also formally and effectively under the responsibility of the Delegation.

This initial division of task and responsibilities in the issue of identification, assessment, and decision-making continuum has evolved throughout the life of the VCA4D project. While the identification and VC selection process remain the prerogative of the Delegations, the project is increasingly involved in the discussion and share of the main findings and their policy implications with the VC stakeholders. Whenever Delegations conclude that it is worth sharing expert findings with national authorities, development partners and VC stakeholders, a workshop is organized to present the methodology and the findings to a wider audience.

However, the expertise does not aim at providing and formulating strategies and interventions for supporting VC development, which remains in the hands of the Delegation that will or not follow up through the formulation of their action plan. It was underlined that a meaningful VC analysis could not be limited to a mere snapshot of the situation and a collection of indicators. The formulation of possible scenarios and options of changes is necessary to put into perspectives how the different dimensions of the analysis interact. Actually, most of the expertise carried out within VCA4D provide such elements to feed the decision-making process.

It was also noted, however, that research findings and proposed priorities do not necessarily align with political interest and priorities. Keeping the expertise as a process of knowledge generation, without putting too much emphasis on action formulation, may prevent a direct and open confrontation of conflicting views which may hamper the quality and outcome of the policy dialogue. Keeping the outcome of the expertise to the understanding only of a VC's functioning and impacts give more leeway in the policy dialogue to formulate the content and prioritise actions. VCA4D aims at building a common language among different parties to allow to choose to intervene or not to intervene.

Panellist from farmers' organisations reminded that building a shared view on priorities among the various VC stakeholders requires to involve them throughout the process, and particularly at the stage of the formulation of the terms of reference and issues' identification. VCA4D not being embedded in the EU Delegation decision process, experts are not involved at this stage led by the Delegation. However, the views and concerns of stakeholders are collected and discussed at the very beginning of the study with a primary round of information collection and consultations which allow to adjust the scope of the analysis accordingly.

An actual empowerment of VC stakeholders in policy dialogue requires a shared understanding of the issues. Capacity strengthening through different means, adapted to the different categories of users of knowledge, from farmers to decision-makers, was mentioned as a necessity to build ownership on the outcome of VC studies. In order to facilitate the mobilisation of the outcomes of the studies in the policy dialogue, attention should be given to the format under which results are disseminated. For example, a limited number of indicators

could be considered. It was also noted that increasing professional capacities to carry out VC analyses in multidisciplinary perspectives and promoting a “VC culture” are a priority to maintain and renew adequate capacity in expertise.

5 LESSONS AND PERSPECTIVES: RENEWED PARTNERSHIP FOR ENHANCING IMPACT

The Conference was a landmark in the life of the VCA4D project. The papers presented confirm that the project has produced highly valuable capital of knowledge that can be further analysed through meta and comparative analyses, to draw more generic conclusions. The discussions and debates generated a number of important views on how VCs can be a lever to increase growth, reduce poverty and manage resources and how to better assess their performance to feed policy dialogue and formulate strategies.

A number of actions have already been taken within VCA4D to address issues discussed during the Conference. A Capacity Strengthening strategy has been formulated targeting both i) using the outcome of the analyses in the policy dialogue and ii) strengthening expertise in VC analysis within Agrinatura and their partners in the South. A Serious Game is under development to support the training of decision-makers in selecting relevant outcomes of the analysis to formulate sound and coherent actions to support VC development. Along the same line, an Information and Knowledge Management System (IKMS) is also under development to facilitate stakeholders’ access to the indicators produced and accumulated in the project. The IKMS will be an entry point for VCA4D results users presenting in a condensed and readable form the indicators generated, and leading them to more in-depth analysis provided by the study briefs and reports. The IKMS will also support benchmarking and comparison between the VC assessed by the project.

Methodological development and changes are more challenging as they concern the consistency of the method and should be compatible with replicability and feasibility in terms of implementation, resources allocated and the timeframe of decision-making. While certain indicators and analytical references might be easily incorporated in the current methodology, far reaching conceptual changes could be considered through partnerships with other methodological frameworks promoted and applied by other institutions and projects. The same option applies to cross-cutting issues, looking at interactions between VC and territorial development, food systems, livelihood, agroecological transitions, etc.

The Conference confirms that both the VCA4D analytical framework and its operationalisation add value to the decision-making process for addressing development challenges. The two days of fruitful exchanges between scholars, development practitioners, decision-makers and VC actors enhance VCA4D recognition within the development community and pave the way for new partnerships with other groups of practitioners and scholars interested in value chain analysis (FAO, GIZ, RUFORUM...) that could further increase its capacity to contribute to the transformation of rural livelihood and developing countries.

The conference papers and presentations can be found on our [website](#) together with videos of all sessions.

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