

TRICKLE-DOWN, TRICKLE-UP OR PUDDLE?
PARTICIPATORY VALUE CHAINS ANALYSIS FOR PRO-POOR ENTERPRISE DEVELOPMENT

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CONTENTS

SECTION 1: PRO-POOR ENTERPRISE DEVELOPMENT AND CHALLENGES FOR STRATEGIC LEARNING

- 1.1 Trickle down, trickle up or puddle? Pro-poor enterprise development in a globalised world
- 1.2: Challenges for Strategic Learning: Potential Role of Participatory Value Chains Analysis

SECTION 2: PARTICIPATORY VALUE CHAINS ANALYSIS: UNDERLYING PRINCIPLES AND PRACTICAL GUIDELINES

- 2.1 What is participatory value chains analysis and why is it useful? Underlying principles, key stages and potential uses
- 2.2 Scoping of analysis
- 2.3 Mapping the chain: preliminary steps
- 2.4 Developing the map: adding quantitative and qualitative information
- 2.5 Integrating gender analysis

SECTION 3: FROM PARTICIPATORY ANALYSIS TO EMPOWERING PROCESS: PRACTICAL CHALLENGES AND WAYS FORWARD

APPENDIX 1: VALUE CHAINS ANALYSIS: ORIGINS AND APPROACHES

APPENDIX 2: USING VALUE CHAIN MAPPING: DIAGRAM EXAMPLES

APPENDIX 3: REFERENCES AND RESOURCES

SECTION 1: PRO-POOR ENTERPRISE DEVELOPMENT AND CHALLENGES FOR STRATEGIC LEARNING

1.1 TRICKLE-DOWN, TRICKLE-UP OR PUDDLE? PRO POOR ENTERPRISE DEVELOPMENT IN A GLOBALISED WORLD

Enterprise development has an obvious and key role to play in poverty reduction. Pro-poor enterprise development promoting responsible business and sustainable livelihoods for low income and vulnerable households has not only the potential for 'trickle-down', ensuring that benefits of economic growth are more equitably distributed. This is in itself the first Millennium Development Goal and a moral and human rights concern underlying all development assistance. But pro-poor enterprise development also has potential for 'trickle up', stimulating economic growth and local, national and international markets. High levels of absenteeism and low productivity because of poor health of employees and informal sector producers, low quality standards because of lack of skills, high levels of worker turnover and instability of supply chains because of poor market and enterprise relations benefit no one. Better health of micro-entrepreneurs and employees, more constructive and creative relationships within enterprises, improving the technical and negotiating skills of micro-entrepreneurs and employees all have potential to significantly increase productivity and managerial efficiency. Greater availability of quality goods and higher levels of purchasing power have significant indirect spin-off effects to improve the well-being of local communities and the global economy.

RESPONSIBLE BUSINESS AND LIVELIHOODS OF THE POOR

Responsible business requires companies not to take advantage of poverty and the marginalisation that often accompanies it (e.g. by paying less than a living wage, by selling harmful products, by denying land rights without fair compensation). Moreover, there are instances where companies actively seek to reduce poverty (e.g. by locating factories in deprived areas, investing in education and health, providing poor people with market access).

There are seven main ways that business can have a positive influence on poor people's livelihoods:

1. Creating employment
2. Providing adequate working conditions
3. Increasing or securing the poor's assets
4. Investment in infrastructure and technology
5. Developing human capital
6. Providing appropriate, affordable goods and services
7. Fostering a sustainable natural environment

Business, especially influential companies, can also have an indirect impact on the poor by encouraging good governance, greater transparency, policy reform, etc.

Source: Responsible Business and Sustainable Livelihoods: NRET 2001

Most enterprise development agencies now have an explicit commitment to pro poor growth (see e.g. DFID 2000). At the same time there is an increasingly complex understanding of what pro poor enterprise development might mean, and how it might be achieved. Attention has conventionally focused on micro-level assistance to micro-enterprises, particularly microfinance. Although poverty-targeted micro enterprise development is obviously part of a strategy for pro poor growth, it is not the only strategy needed, nor is it necessarily the most effective in all contexts or for all the poorest target groups. Micro-level micro-enterprise projects may reach only limited numbers of people. Even the best designed support may contribute to marginal increases in income in unfavourable market contexts or for the very poorest groups. In practice cost pressures often lead to exclusion of the very poor who are generally more difficult and costly to reach.

In many contexts and for many low income people, stimulation of small, medium and large private sector enterprises may be more effective than targeted micro enterprise programmes. Very poor women and men may wish to have more stable employment rather than the insecurity of their own micro enterprise. In many contexts macro-level factors like enterprise regulation, levels of inflation, infrastructure development or changes in property legislation may be more significant in influencing the income levels and vulnerability of poor people than targeted enterprise projects or programmes. Gender equitable land reform, anti-discrimination legislation and support for women's advocacy organisations may in some contexts be a more valuable contribution to stimulating women's enterprises than small micro-enterprise projects for women. In many cases services apparently external to the enterprise like gender sensitisation of male entrepreneurs and household members, child care support and general improvements in health and education provision are also essential for real increases in women's incomes.

There is now increasing consensus that there is no 'magic bullet' for pro-poor growth but the need for a range of strategies at different levels including:

- targeted micro-level support for micro-enterprise, including the very poor, women and other vulnerable groups.
- general enterprise support to stimulate the private sector
- macro-level national and international policies to protect the interests of employees and poor entrepreneurs through initiatives like business Codes of Conduct and encouragement of ethical investment and ethical consumerism.
- effective social policies in education, health and welfare to decrease the general vulnerability and increase skills of both employees and micro entrepreneurs.

An example of the range of potential strategies for support for homeworkers currently being promoted by different organisations is outlined in Box 1. These different levels are potentially mutually reinforcing to address different dimensions of the many constraints which women homeworkers face in increasing incomes and making their full contribution to healthy local economies and enterprise chains in which they are involved. Although improving women's negotiating power within markets and enterprise chains and changes in macro level policies may be at the expense of existing vested interests, this is essential to removing distortions in markets and supporting human rights. Increasing the productivity of women's work and decreasing their vulnerability benefits all actors in markets and enterprise chains.

BOX 1: SOME MUTUALLY REINFORCING LEVELS OF INTERVENTION TO SUPPORT WOMEN HOMEWORKERS	
GOAL	POSSIBLE STRATEGY
<i>Increase in productivity</i>	<ul style="list-style-type: none"> • Technical and managerial training, literacy and numeracy • Access to finance to improve technology, buy raw materials in bulk, extend credit to reliable clients, improve working space • Childcare support
<i>Decrease in women's economic and social vulnerability</i>	<ul style="list-style-type: none"> • Gender training for women and their families to increase women's power in the family • Strengthening support networks in the community including protection of women against violence • Access to financial services for consumption, pensions, housing loans and savings facilities • Improvements in wider social security, health and education provision for very poor women.
<i>Strengthening women's negotiating power within markets and enterprise</i>	<ul style="list-style-type: none"> • Strengthening women's market information networks • Improved facilities for women in markets and measures to counter discrimination

chains	<ul style="list-style-type: none"> • Organisational training for networking and collaboration • Formation of networks and information centres and dissemination on women's rights, subcontracting conditions and labour legislation • Formation of collaborative networks for homeworkers to directly access higher levels in the value chain • Formation of networks and organisations to increase accountability of public and macro level institutions and the private sector in upholding the existing rights of homeworkers
Establishment of favourable macro level policies	<ul style="list-style-type: none"> • Changes in property rights to end gender discrimination • Legal recognition and protection of informal sector micro-enterprises and removal of restrictive policies and harassment • Changes in taxation to recognise the costs of improvements to housing as a business cost • Establishment of Codes of Conduct governing negotiations of subcontracting, working conditions and anti-discrimination measures. • Establishment of institutions to represent homeworkers and women informal sector workers in economic policy-making.

More recently, there has also been increasing discussion of the importance of environmental policy to ensure that both producers and local communities are not physically harmed by enterprise development and that global economic growth does not damage the environment. As discussed elsewhere on this web site in [Building Environmental Impact Assessment Guidelines for Small and Large Scale Enterprise](#) there are many ways in which enterprise development can enhance the environment.

Alongside this multi-dimensional understanding of pro poor enterprise policy, there is also increasing emphasis on collaboration between development agencies in order to ensure that the various interventions by the different agencies complement each other to further increase their contribution to pro-poor growth. This includes a number of multi-stakeholder initiatives involving different donor agencies, governments, NGOs, the private sector and civil society organisations.

1.2: CHALLENGES FOR STRATEGIC LEARNING: POTENTIAL ROLE OF PARTICIPATORY VALUE CHAINS ANALYSIS

This multi-dimensional, multi-stakeholder approach to enterprise development poses new challenges for impact assessment. Impact assessment is necessary in order to assess and compare the relative effectiveness of different interventions at different levels. This new approach poses many hitherto unanswered questions where different actors often take entrenched positions based on differences in underlying theoretical or political perspectives:

- In what contexts, what types of sectors and for whom does conventional private sector support to small/medium or large-scale enterprises lead to 'trickle-down' of benefits to employees and micro enterprises in the same sectors?
- What are the priorities for direct support to employees or micro-entrepreneurs in order to increase 'trickle up' through enhancing the viability and profitability of the sectors in which they are involved and enable redistribution of benefits?
- What sorts of interventions are needed, and in what sorts of contexts to avoid 'puddles' whereby particular sectors or stakeholders become targeted by many different interventions, skewing markets to further disadvantage those who are already poor and vulnerable in the same markets and sectors?
- At what levels, by whom and where can or should any costs of social responsibility and environmentally sustainable policies be borne? For example by consumers, shareholders,

large companies, entrepreneurs or producers? In the North or in the South? How can these costs be promoted and made acceptable?

This new approach to enterprise development raises not only more complex questions, but also exacerbates the well-documented challenges for programme-level impact assessment:

- The contribution of the different strategies may be not only direct but also indirect. The most widespread and important effects may even be unintended as competing interests attempt to maximise their own particular benefits, circumvent regulation and manipulate markets.
- There may be trade-offs between different goals. For example expansion to maximise outreach and financial sustainability of financial or business development services may conflict with poverty reach to the poorest micro entrepreneurs.
- Different stakeholders are likely to be affected in different ways, even within vulnerable groups. For example introduction of Codes of Conduct may decrease the numbers of permanent workers employed whilst improving the situation of those employees who remain.

The effects of enterprise development strategies may depend on the fine detail of the particular interventions concerned e.g. precise wage levels recommended in Codes of Conduct, financial or business development products or the macro economic and social contexts in which they are introduced. Effects may also depend crucially on the attitudes and motivations of the different stakeholders and how these influence the interplay of existing power relations in the implementation of the different strategies.

As discussed in detail in other papers on this web site on the [Overview of IA and ED](#), the demands and expectations currently being placed on impact assessment mean that there is now a need to move on from one-off external 'policing' exercises to assessments which:

- are capable of **capturing the complexity** of impacts of enterprise interventions over a range of development goals, different stakeholders, particularly the very poor, at different levels: not only individuals, enterprises and households but also markets, communities and institutions and over different time frames.
- not only measure outcomes but **make useful recommendations** for increasing the development contributions of enterprise interventions. Impact assessment is then not an additional extra cost, but becomes an integral part of project, programme and/or policy development.
- **contribute to the setting up of sustainable learning processes** between stakeholders. The impact assessment process should develop sustainable networks and partnerships to increase learning and capacity at different levels. These will decrease the costs of future impact assessments, increase the long-term accountability of the development process and contribute to pro-poor development itself.

In particular impact assessment will inevitably require:

- **stakeholder participation**, not only of donor communities, 'local' representatives and programme staff, but particularly of the poorest and most marginalized. This is essential not only for the reliability of the information collected but ensuring that the right questions are asked in the right way and to ensure downward accountability in the implementation of any recommendations.

This paper focuses on the potential contributions of one modelling and analytical tool: **value chains analysis used as part of a participatory assessment process**. Value chains analysis was initially developed for academic research to understand processes of globalisation and industrialisation. Development of value chains analysis and the different approaches involved are summarised in Appendix 1 and examples of some of the key tools and diagrams used are illustrated by examples in Appendix 2. In particular researchers are interested in understanding why many of the potential benefits of globalisation fail to reach the very poor, why particular countries and particular types of

enterprise find it difficult to enter certain sectors and the macro level policy implications¹. It has also been used in some recent impact assessments of Fair Trade (e.g. Collinson 2000a,b). It has also been widely used as a tool for action research by Fair Trade organisations and organisations involved in the international Women in the Informal Economy: Globalizing and Organizing (WIEGO) including Self Employed Women's Association (SEWA) and HomeNet. The paper draws particularly on two key manuals on the use of value chains analysis in examining processes of globalisation (Kaplinsky and Morris 2000) and empowerment strategies for homeworkers (McCormick and Schmitz 2001) and discussions about value chains analysis and globalisation in a special issue of IDS Bulletin 2001 Vol 32 No 3 in which many of the papers referred to here can be found.

As well as providing a practical guide to value chains analysis, this paper focuses on the ways in which value chains action research can be used as part of a **sustainable participatory process for strategic learning and ongoing accountability** within and between enterprise sectors. The paper links the tools and methodologies for value chains analysis discussed elsewhere with the discussions of indicators, sampling, analysis and dissemination on this web site, and particularly the papers by the author on [Empowering Inquiry](#), [Sustainable Strategic Learning, Participatory](#) and [Qualitative Methods](#). It must be stressed that this paper is an work in progress. Use of value chains analysis in recent, current and forthcoming DFID-funded research on Fair Trade and Codes of Conduct and ways in which stakeholder participation has or could be facilitated will form the basis of forthcoming debate on the [EDIAIS e-mail discussion list](#). Both this paper and the author's paper on [Fair Trade Impact Assessment](#) will be updated in the light of this discussion and experience later this year.

SECTION 2: PARTICIPATORY VALUE CHAINS ANALYSIS (PVCA): KEY STEPS AND PRACTICAL GUIDELINES

2.1 WHAT IS PARTICIPATORY VALUE CHAINS ANALYSIS? UNDERLYING PRINCIPLES, KEY STAGES AND POTENTIAL USES

The value chain describes the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use.

Kaplinsky and Morris 2000 p4

At its simplest, value chains analysis has involved:

- mapping the chains involved in particular production sectors: the different types of activity, geographical location and actors in different roles at different levels.
- following up with quantitative and qualitative research investigating the relative distribution of 'values' and the reasons for inequalities and/or inefficiencies and blockages in the chain.
- based on this analysis: identification of potential 'leverage' points for upgrading the chain as a whole and/or redistributing values in favour of those at the bottom.

Some examples of value chain maps in flower production, forestry and textiles are given in Appendix 2.1 and ways in which follow-up research has been inserted and mapping of interventions in Appendix 2.2.

For impact assessment value chains analysis can be used as both an heuristic and analytical tool:

- providing a framework for identifying the different levels of intervention involved, impacts of different types of intervention at different levels and other change processes affecting interventions.

and also a planning and strategic learning tool to:

¹ For an overview of these debates see particularly special issue of IDS Bulletin 2001 Vol. 32 No 3 in which many of the papers referred to here can be found.

- explore and identify potential positive interlinkages between different 'leverage points', levels of intervention and collaboration between different agencies: government, donors, NGOs and local people.

Value chains analysis has a number of key contributions to improving strategic learning in enterprise development in these and other types of intervention:

- 1) it conceptualises enterprises, not as discrete entities, but as part of **chains, networks and systems** of different but linked production and exchange activities operating in different geographical areas: local, national and international.
- 2) it focuses on analysing '**chain governance**' and the complex interrelationships between markets imperatives, opportunities and constraints at the different levels and the different interests and power relations which influence how value is distributed at these different levels.
- 3) through an analysis of systems and power relations at different levels, it enables a much more sophisticated **modelling of the direct, indirect and unintended positive and negative effects** of different types of intervention at different levels
- 4) this in turn enables a more complete **exploration of different alternative strategies** for poverty reduction following the findings of impact assessments.

As developed here value chains analysis is a participatory and empowering process involving also:

- 5) the clear visual representation in maps and diagrams which enables information to be **accessible even to very poor and disadvantaged** stakeholders in the production and marketing chain. This also enables these stakeholders to participate in ongoing and sustainable systems of analysis and updating of the visual information.
- 6) **facilitation of dialogue and mutual accountability** between stakeholders to analyse and negotiate their common interests in improving the ways in which the chains and networks function and identify those types of intervention likely to be of common benefit. It therefore has the potential to highlight the constraints operating on those controlling the chain and to clarify possibilities for change lower down. It also has the potential to overcome barriers and communicate the perspectives of those at the bottom of the chain to those at the top.
- 7) promotion of **equity and empowerment of the most vulnerable** throughout the process to ensure that chains and networks are fair and free from discrimination and that redistribution of benefits reaches those currently disadvantaged and vulnerable in the chain.
- 8) providing a focus for developing **sustainable systems for ongoing accountability** within and between enterprises in supply and marketing chains and development agencies. The diagrams and maps can be continually updated and refined as part of an ongoing learning process rather than being treated as one-off products. They can also provide a framework for collaborative and ongoing learning between development organisations, governments, local people and local research institutions.

BOX 2: KEY DIMENSIONS, PRINCIPLES AND STAGES OF PARTICIPATORY VALUE CHAINS ANALYSIS (PVCA)

DIMENSIONS OF VALUE CHAINS ANALYSIS FOR IMPACT ASSESSMENT

- **Mapping the chains, networks and systems** of interlinked production and exchange activities in particular sectors or subsectors
- **Mapping the geographical spread** of linkages and networks operating over international, national and local areas
- **Identifying the key stakeholders** at different levels of the chain, different geographical locations and in relation to differing external opportunities and constraints

- **Measuring the relative value** accruing to different levels of the chain, different geographical areas and different stakeholders
- **Identifying the governance structures** which affect the ways in which values are distributed between activities and geographical areas
- **Mapping the interventions** directly targeting different levels of the chain, network or system
- **Clarifying the direct, indirect or unintended** impacts at these different levels
- **Exploration of the different alternative levels of intervention or strategy**

PRINCIPLE 1: STAKEHOLDER PARTICIPATION

- **Visual and diagram mapping techniques** accessible to all stakeholders
- **Dialogue between stakeholders** and hence potentially mutual understanding and respect for their different opportunities and constraints

PRINCIPLE 2: EQUITY AND EMPOWERMENT

- **Incorporation of poverty and gender analysis** throughout the process
- **Ensuring participation of the most vulnerable** and supporting their information and action needs
- **Formation of sustainable systems for ongoing accountability** of enterprise and chain governance

KEY STAGES

Stage 1: Scoping the analysis: clarification of questions and investigation strategy

Stage 2: Preliminary value chain mapping

Stage 3: Participatory value chain analysis

Stage 4: Setting up sustainable structures for sectoral and inter-sectoral accountability

There are many different areas of enterprise development to which PVCA may be adapted, for example (but by no means only):

- **Homeworker and other grassroots organisations:** to increase knowledge of the opportunities and constraints on increasing incomes and benefits, to assess 'points of leverage' where change is possible, to assess levels at which networking and organisation might be able to increase the relative value reaching the bottom of the chain and identify the various opportunities and constraints at different levels of the chain which affect the effectiveness of any support.
- **Impact Assessment of Fair Trade and Codes of Conduct:** to map the different levels which Fair Trade interventions and Codes of Conduct need to target, the different stakeholders involved, potential mutual and conflicting interests and areas for stakeholder cooperation in setting up ongoing structures for accountability.
- **Microfinance Programmes:** PVCA can be used by programmes and microfinance groups to identify e.g. activities where financial services are particularly appropriate or inappropriate, why this is so and the constraints at different levels of value chains which need to be addressed through non financial services.
- **Business Development Services:** PVCA can be used here to identify the levels at which services might need to be integrated, the types of services which might be needed, in training itself for clients to analyse their situation and establishing why particular types of services might be most appropriate or inappropriate for different levels.
- **Regulatory Frameworks:** PVCA can be used to clearly identify which activities and which stakeholders are likely to be directly affected or targeted by particular types of regulation, and the potential consequences for other stakeholders above or below those particular levels in the value chain.
- **Environmental policy:** PVCA can be used to clearly identify the different levels and locations where environmental pollution is occurring and/or where environmental enhancement could

be achieved, where stakeholder incomes might be sufficient to cover the costs of environmental policy and the levels at which pressures might be brought to bear for compliance and/or skills might exist for innovation.

2.2 SCOPING OF ANALYSIS

Participatory value chains analysis (PVCA) as discussed here is envisaged as ultimately setting up ongoing and sustainable systems for accountability between different stakeholders and actors in enterprise chains. The initial stages of the process must start somewhere and must be manageable within initial skills, resources and levels of understanding. Some of the key questions to be asked are outlined in Box 3.

The first challenge is to clearly identify the starting point and priorities in terms of the interventions to be investigated and the particular chains, networks and systems involved. For some purposes the immediate chains of supply, production and marketing may be quite easy to identify. In other cases, however, it may be necessary to identify very complex interlinkages between production and exchange activities in different sectors or subsectors. Networks and systems interlinkages may extend almost infinitely outwards. This raises difficult questions about the boundaries of the chains, networks and systems to be investigated (See Sturgeon 2001). The levels of complexity needed in the analysis are likely to depend on the particular types of interventions involved. In Fair Trade, for example, it may be easier to focus on specific production, supply and marketing chains being addressed by the organisations involved. These chains are however likely to be very complex in their global linkages and consumer levels are also likely to be very important. When used as a learning tool in Microfinance programmes, it is likely that they will be many more chains and activities involved, but the chains may be much shorter and more local.

The participatory process should ideally start right from the beginning of the investigation. Like any multi-stakeholder process it is likely to be somewhat contentious, particularly where there are very clear opposing interests. Different stakeholder groups may be almost infinitely subdivided e.g. homeworkers differ in their gender, levels of education, income level, age and health status, all of which will also influence their negotiating power. This raises questions about exactly who should participate and how participation should be supported. Again, how these challenges are dealt with will depend on the particular issues under investigation and the particular stakeholders and individuals concerned. In some cases there may need to be very careful planning for progressive involvement of certain stakeholders and progressive introduction of sensitive issues. Nevertheless, it is only through analysing and addressing these potential challenges that reliable and useful information is likely to be obtained and realisable practical recommendations arrived at and followed through.

BOX 3: SCOPING THE ANALYSIS: IDENTIFYING KEY QUESTIONS AND PARTICIPATORY PROCESS

IDENTIFYING KEY QUESTIONS

- What are the **goals of the impact assessment**? Why is it needed? Who are the main intended beneficiaries? Who are the main target groups for the information?
- Which are the **main interventions** to be investigated? What other change processes are likely to be important? Of these which are the key interventions and processes which should form the focus of the initial investigation?

- In the light of this which are the **key questions**? Are any questions overlapping or repetitive? Can any be simplified, left out or postponed? Are all the questions discrete and separate, or are some better treated as sub questions in a hierarchy of issues and topics?
- What are the implications for the **main focus** of the analysis in terms of key activities, geographical scope and chain/network/system boundaries?
- What are the implications for **degrees of precision and detail** with which particular levels and particular issues will need to be investigated?
- What are the likely **key areas of sensitivity** which will need to be taken into account? Might this require a strategy for progressive introduction of particular questions? What sort of preparation might be needed?

DESIGNING THE PARTICIPATORY PROCESS

- What are the implications for the **key stakeholders** who will be involved in providing or collecting information?
- What are the implications for information and support needs of different stakeholders?
- How can the support of vested interests within the existing value chain be obtained?
- How can the participation of those most disadvantaged and vulnerable be supported?
- Given the particular areas of sensitivity, vulnerability and vested interests identified, might this require a strategy for staging the participation of certain stakeholders? What sort of preparation might be needed?

2.3 MAPPING THE CHAIN: PRELIMINARY STEPS

Once the goals of the investigation and key questions have been identified, the next step is to draw up a preliminary map of the chain, network or system as indicated in Box 4. These preliminary maps are essentially aids to thinking through models of how production and marketing systems work. In its simplest form value chain mapping consists of constructing a standard flow diagram (See examples in Appendix 2, Figures A2.1a, b, c and A2.2a, b, c and [Thinking it Through](#)). Ideally this stage should also involve key stakeholders or stakeholder representatives with knowledge of different levels of the chain.

There are no definitive maps which will be 'correct' for all purposes. The map provides the underlying analytical skeleton for the investigation and gives a preliminary rapid visual overview based on what is already known about:

- the main activities involved in the chain
- their broad geographical spread
- the main stakeholders involved
- a rough idea of the relative size and importance of each element.

This is then progressively modified, and developed in different ways, for different purposes and by different stakeholders.

When used for impact assessment, the different types of intervention affecting each level should also be included (See Fig A2.2a). This can be done either in a separate column of boxes to the right of the chain mapping, or if this would make the chain mapping too complicated, in a separate column on a simplified chain map. If sufficient is known about the different interventions, then their potential direct,

indirect and/or unintended effects on each of the main stakeholders can also be drawn in on a simplified mapping to clarify the different hypotheses being made.

In the initial stages very little may be known about many or all dimensions of the chain and how it operates. In other cases there may be a lot of information about certain stages or actors in the chain already existing in the investigating institution or available from secondary sources. In some cases sectoral maps may already exist which have been used in other analyses of the same sector. This map also provides a framework to clarify:

- what information already exists about each level or stakeholder
- what information is needed and
- where it might be obtained.

BOX 4: DRAWING A PRELIMINARY MAP

LISTING KEY PARAMETERS THROUGH PARTICIPATORY BRAINSTORMING AND KEY INFORMANTS

- 1) **Identify the main products and markets:** what are the different types of production, raw material production, supply and marketing chains? Where are the different activities located? Do not let things get too complicated. Unless your particular questions dictate otherwise, group or leave out the least important products and markets so that you end up with no more than four or five key geographical/product type chains on which to focus.
- 2) **List the functions** (activities) that make up each chain (obtaining raw materials, production, distribution, storage, transport, advertising, retailing etc). Again, do not let things get too complicated. In many cases it will be possible to group together those activities performed within the same firms.
- 3) **List participants** performing each function: what is your initial assessment of the numbers of people or enterprises involved at each level? Do you know anything about social characteristics e.g. gender, age, ethnicity or education level which might affect their negotiating power within the chain? What is your initial assessment of the likely locus of power and governance structure? Where do you think the poorest people and those with least power are likely to be located?
- 4) **List key contacts** for further information at each level.

DRAWING A PRELIMINARY MAP

Using a large sheet of paper or computer screen draw a map similar to those in Appendix A2.2:

- 1) List the main **products or markets** across the top and the main **activities** down the left side.
- 2) Within the main axes put boxes of different sizes representing **enterprises with approximate number of enterprises and/or workers** in the box.
- 3) Then draw lines between enterprises to indicate the main types of governance structure. Different types of **governance relationships** are conventionally distinguished by different types of line whereby the tighter the relationship, the greater the number of lines:
 - **market-based relationships** in 'arms-length' exchange transactions are represented with a single solid line
 - **balanced network:** firms from networks in which know one firm exercises undue control over others is represented by two parallel solid lines
 - **directed networks:** firms in networks directed by a lead firm e.g. a buyer-driven chain are represented by three parallel solid lines
 - **hierarchical relationships:** where firms are vertically integrated with the parent company controlling its subsidiaries are represented by four parallel solid lines

GENERATING HYPOTHESES FOR IMPACT ASSESSMENT

- 1) Mark on the map those activities, geographical locations and stakeholders for whom each **intervention to be investigated is expected to have a direct impact**. If more than one intervention is to be investigated then these could be marked in different colours.
- 2) Using the map as a framework, brainstorm and note on a separate sheet **what other indirect or unintended impacts** may need to be investigated for other stakeholders.
- 3) **Go back to the list of key questions and stakeholders and see how this analysis might be due to refine or modify these questions.**

PLANNING FURTHER INVESTIGATION

- 1) Which **questions require quantitative, qualitative or participatory investigation** in order to be credible? What degree of precision or detail is needed?
- 2) What are the **strategic priorities** for collecting detailed quantitative, qualitative or participatory investigation in order to be most useful for strategic learning and bringing about change? E.g. are particular quantitative statistics needed to convince key policymakers? What qualitative information is needed to convincingly illustrate the main policy issues? In what form should the information be disseminated e.g. statistical reports, videos or pamphlets?
- 3) Which **stakeholders and organisations** are to be approached at what stages in the investigation?

2.4 DEVELOPING THE MAP: ADDING QUANTITATIVE AND QUALITATIVE INFORMATION

Over time this initial mapping can be flexibly developed to clarify hypotheses or add-in information, for example:

- to show particular features of enterprises, households or entrepreneurs at each level which can be investigated in more detail
- to generate hypotheses about how strategies affecting one level may have unintended or assumed positive or negative impacts at other levels
- to show existing or potential linkages between enterprises at the same level of the chain.

How the map is then built on and developed will obviously depend on the questions being asked. This may take the form of:

- **adding quantitative information to the map itself**
- **adding qualitative information to the map itself**

In either case the preliminary map can be used as a framework from which to:

- form a series of **sub maps and/or diagrams** using the same mapping conventions or a range of other diagram techniques.

2.4.1 *Adding quantitative information*

Value chains analysis has been widely used by economists researching the processes and impacts of globalisation and/or the impacts of Fair Trade and Codes of Conduct. The main goal or focus of the analysis has been to obtain a quantitative overview of participation at different levels of the chain, the incomes and profits at different levels and relative values between different levels and part of the chain which indicate areas where change is possible or needed. Some of the economic and quantitative measures used and some of the potential problems involved in each are summarised in Box 5.

As can be seen, quantification may in some cases be relatively straightforward, in others extremely problematic. Some countries have relatively reliable statistics which are sufficiently disaggregated to be used more or less directly in their existing form. More commonly, however, statistics are fairly unreliable and/or aggregated in ways which make them difficult to use directly. Information on local economies and the informal sector are particularly problematic. Here quantitative information will have to be collected through samples and estimates with careful crosschecking of different sources and methodologies.

Quantification in value chains analysis encounters similar problems to those discussed at length for other types of impact assessment, for example in the author's paper on [Indicators](#). Precise quantification of relative economic value accruing to different stakeholders has inherent measurement problems. This is because of analytical problems of definition of what is meant by 'value'² and also practical difficulties in getting reliable information on enterprises' incomes and profits and also incomes for many employees employed on casual or piece rate basis. Even where records are kept, these are often not reliable. For large sectors of those involved at the bottom, many involved in informal activities and with low levels of literacy, no records or calculations may exist. These problems are even more acute in chains where non-monetary or informal costs and benefits as well as fixed wages or monetary costs are involved. Non-monetary costs and benefits are likely to be particularly significant in agricultural sectors, and if analysis is to be completely rigorous, will also need to be calculated within households where unpaid family labour is employed.

BOX 5: DEVELOPING THE MAP: ADDING QUANTITATIVE INFORMATION

NUMBER OF ENTERPRISES PER STAGE/CHAIN

Possible sources of information: reliable official data may be available from government sources and/or business associations, depending on the particular chains being investigated.

Potential limitations/challenges: available registers of entrepreneurs and manufacturers often leave out key stakeholders i.e. the often large numbers of unregistered enterprises, homeworkers, self-employed workers and so on. The particular groups excluded will need to be identified and an initial estimate of their numbers made through interviews with key respondents. Data on input suppliers, retailers and wholesalers etc will have to be treated similarly. Data on retailers and wholesalers is likely to be problematic and their numbers will need to be estimated through comparing and crosschecking information from a sample of producers and wholesalers themselves.

NUMBER OF WORKERS, SKILL COMPOSITION AND PERCENTAGE OF FEMALE WORKERS PER STAGE/CHAIN

Possible sources of information: Sometimes employment data is available from Business Associations or Trade Unions. Depending on the nature of your question local Unions may be the most useful source for disaggregated data.

Potential limitations/challenges: Distinctions will have to be made between different types of worker, e.g. between permanent and casual workers of different types. Again labour which is unlikely to be registered with any organisation e.g. child labour, unpaid family labour and so on will need to be estimated.

TOTAL SALES PER CHAIN (domestic sales, export sales and further subdivisions) Possible

sources of information: Export data i.e. sales to foreign markets are usually fairly easy to obtain. All national governments have offices which collect and publish trade statistics although the degree of disaggregation in terms of destination and product varies. Many global export or multinational companies have web sites which publish sales figures.

Potential limitations/challenges: Data on domestic sales may be less readily available, particularly for informal or local markets. Where the data is not in a readily usable form for the particular questions envisaged, it may be possible to enlist assistance of local business associations or other organisations, or some sort of sampling methodology would need to be used or approximate estimates obtained from respondents in key positions.

² A full discussion of these issues is outside the scope of this paper. See discussion in Kaplinsky and Morris 2000; Gereffi 2000.

RELATIVE VALUE PER STAGE/CHAIN

Potential limitations/challenges: Measurement of relative value accruing to different stages or chains is crucial but inherently problematic. Different measures have been used: profits, value added and price markups but their relative advantages and disadvantages depend very much on the economic context, relative importance of capital in the production process and macro economic factors like inflation than dollar exchange rates. Detailed discussion of the economic arguments can be found in Kaplinsky and Morris. Analysis typically must be pragmatic and eclectic in gathering multiple indicators through both primary and secondary sources and focusing detailed investigation on those segments of the chain that are most important for the investigation.

AVERAGE EARNINGS PER STAGE/CHAIN

Possible sources: These data may be available for registered enterprises from government or Union sources.

Potential limitations/challenges: It will however be necessary to take into account numbers of hours worked, calculate returns to labour from outworking once raw material costs and other charges have been met. Importantly also any official earnings data must be treated with some caution as it is frequently circumvented.

Sources: Kaplinsky and Morris 2000; Gereffi 2000.

Given the difficulty of precise quantification it is important to carefully think through where the potentially considerable time and resources required should be targeted.

The key is to identify which particular bits of the map require precise quantification in order to be credible, particularly for policymakers involved in decision-making. In many cases it will be sufficient to arrive at broad estimations for many parts of the chain, provided the assumptions underlying these estimations are made explicit and the potential shortcomings identified. It is also important to bear in mind that it may often be more reliable and cost-effective to collect quantitative information progressively alongside or integrated into the use of qualitative and participatory methods rather than as a separate one-off statistical survey. For many purposes surveys, even when rigorously conducted, do not yield the most useful information, particularly where sensitive information is involved. The best strategy may often be to obtain quantitative estimates for the chain as a whole, clarify where more details are needed and progressively integrate quantification into the use of other methods. Over time this is likely to enable a reasonable level of reliability and precision for most of the areas where quantification is really needed.

Sometimes it may be both possible and useful to construct 'before and after' maps using existing information for a broad baseline overview and, where appropriate, identifying the numbers of people directly targeted by particular interventions. The investigation would then focus on looking at the extent of change to draw up a second map indicating the effects of the intervention/s. A comparison of the two maps can then be used to highlight areas where significant positive change has taken place and those where little or negative change has occurred. These areas can be marked in different colours on the map to provide the basis for hypotheses and follow up qualitative investigation of the processes and reasons for change or lack of change.

2.4.2 Adding qualitative information

Value chains analysis is not only concerned with quantification of value, but provides a skeleton framework to guide qualitative investigation of different types which might be relevant to the particular questions involved. Most commonly this has included:

- identification of patterns of governance and power relations governing the existing distribution of value and chain management

- identification of potential areas of common interest between different stakeholders and potential areas for conflict of interest
- based on these two, potential for positive changes in incomes and negotiating power of those who are currently vulnerable or disadvantaged by the chain.

For some purposes these qualitative questions may in fact be the main focus of the investigation to highlight 'possible points of leverage' where change is necessary and/or explain patterns of impact.

Any investigation of power relations is obviously contentious and potentially sensitive. Interpretations of how governance operates may differ significantly between stakeholders with very different implications for policy change and support interventions. Power is exercised in many different ways: both direct through coercion or violence, indirectly through market advantage or through factors external to the value chain itself like reliance on gender inequality to constrain women's negotiating power. In many cases power may be exercised through a complex combination of all three which will affect the ways in which different types of intervention affect the value chain and the potential for change. In relation to chain governance itself, a number of indicators have been devised as given in Box 6³.

Qualitative information is obtained through interviews with key informants for a sample of enterprises using the types of qualitative techniques discussed elsewhere on this web site. As with quantitative information, in many cases it is sufficient to have only rough qualitative information for the chain as a whole, but detailed information may be needed for understanding one or more particular parts of it. It is often useful to combine mapping with other diagram tools to examine particular issues in more detail. Some of these tools are also shown in Box 6 referring to examples given Appendix 2. These tools are discussed in more detail elsewhere on the web site (e.g. in [Thinking it Through](#)).

BOX 6: ADDING QUALITATIVE INFORMATION

INDICATORS FOR DIFFERENT TYPES OF GOVERNANCE

Market-based or arms length relationship: chains, networks or systems with many customers/many suppliers, repeat transactions possible but information flows limited, no technical system.

Balanced networks: networks where suppliers have various customers, if suppliers have few customers, customers have few suppliers, there is intense information flows in both directions, both sides have capabilities which are hard to substitute, there is a commitment to solve problems through negotiation rather than threat or exit.

Directed networks: networks where the main customer takes at least 50% of output, customer defines the product (design and technical specifications), monitoring of supply performance by customer, supplier's exit options are more restricted than customer's, customer provides technical assistance, customer knows more about supplier's costs and capabilities than supplier knows about customer's

Hierarchy: vertical integration of several chain stages within the firm, supplying establishment owned by customer or vice versa, very limited autonomy to take decisions at the local level. Having to consult with or obtain permission from 'headquarters'.

Source: McCormick and Schmitz, 2001.

³ For a discussion of the importance and complexities of investigating government structures see for example Humphrey and Schmitz 2001; Kaplinsky and Morris 2000 and for some of the practical issues see McCormick and Schmitz 2001.

DIAGRAMMING TOOLS FOR DETAILED ANALYSIS OF EFFECTS OF INTERVENTION/S ON PARTICULAR PARTS OF THE VALUE CHAIN

FLOW DIAGRAMS to show impact processes

NETWORK MAPS to show horizontal networks between enterprises, information flows etc and/or impacts of organisational strategies or training

MARKET MAPS to give a clear idea of the relative size and importance of different types of market in the chain and/or market impacts

VENN DIAGRAMS to show relationships between different producer or marketing institutions and organisations, including those involved in implementing interventions

PERFORMANCE COMPARISONS to identify views of relative strengths and weaknesses in relation to particular parameters e.g. price, quality, response time (See Appendix 2.3).

2.5 INTEGRATING GENDER ANALYSIS

Gender is an important aspect of value chains analysis, but one which is often overlooked and/or oversimplified. Both women and men are involved at many different stages of the chain as producers and entrepreneurs, in marketing and as consumers. The gender relations affecting actors at the different levels have an important influence on the way value chains function. Conversely the ways in which value chains operate can profoundly affect, both positively and negatively, the gender relations at the different levels.

Gender analysis is not only relevant to analysing women's position within value chains. Gender relations affect both men and women and the dynamics of value chains. Gender analysis is needed to explain why particular chains are dominated by men or women and the potential areas for change. Gender equity is the human rights issue and a key dimension of all the Millennium Development Goals, Fair Trade and Codes of Conduct. Even if gender analysis is not a specific focus it is important that language, analytical frameworks and sampling methodologies reflect the perspectives of both women and men and women are appropriately represented in the investigation to avoid inaccuracy and gender bias.

Although gender analysis involves both women and men, it is clear that women are important in pro-poor enterprise development and that gender issues require more attention than generally given in the value chains literature. From existing research⁴ it is clear that:

- large numbers of women workers are employed by large global companies, enterprises in particular sectors and the informal sector
- women normally occupy a subordinate position within value chains of all types as entrepreneurs and traders take advantage of existing gender inequalities in bargaining power to reduce production costs, wages and prices
- at the same time the increase in women's employment in areas where employment opportunities were scarce has often had a profound impact on women's position in the household and community
- companies often use gender-based strategies in marketing campaigns, making assumptions about gender roles of consumers e.g. women's role in the household, gender differences in purchasing and decision-making power and/or existing or desirable changes in these.

⁴ See discussion in Barrientos 2001 and references therein.

In some cases these changes have been positive, increasing women's visibility and economic power and providing valued goods and services which benefit women or permit men to take on more equal role in the household. In other cases women's wage rates are kept low through gender-based constraints, women are expected to take on the burden of both productive and reproductive work with little control over income and gender stereotypes in advertising reinforce and increase gender inequalities. In some cases enterprise interventions have improved the situation for women, as in the case of Homeworker Organisations above. In others gender inequalities are unaffected or increased through explicitly or implicitly targeting benefits to men through e.g. content of training, failure to follow through gender equity in Codes of Conduct and so on.

Analysing the effects of enterprise interventions on value chains must therefore incorporate gender analysis. Some of the questions which will need to be asked are indicated in Box 7. A gender focus is likely to imply looking beyond quantitative figures of female employment and participation to looking at qualitative dimensions of interpersonal relations, intra household processes and their effects on relationships within enterprises and markets and also including examination of consumer impacts. All the diagram tools discussed in this paper can be gender disaggregated including data on employment, remuneration and the performance diagrams in Appendix 2.3.1.

BOX 7: SOME KEY QUESTIONS FOR GENDER ANALYSIS IN VALUE CHAINS

DESIGN OF INVESTIGATION

- 1) Are there any gender differences in access to the particular enterprise interventions being investigated? What gendered assumptions are being made in the design of the intervention? Are there any gender differences in participation in design, implementation and benefits? Will these be captured through the investigation?
- 2) Are both women's and men's perspectives reflected in the scoping of the analysis in terms of the ways in which boundaries of chains are decided? Are intra household processes relevant and adequately addressed? Are gender relations within enterprises addressed? Are gender relations at the consumer level addressed?
- 3) Does the stakeholder analysis include gender segregation and sufficiently reflect potential differences and conflicts of interest between women? Are women with different perspectives appropriately represented in the investigation process?

MINIMUM TYPES OF INFORMATION NEEDED

- 1) What is the percentage of women and men involved at different levels and in different locations of the value chains involved or affected by the intervention?
- 2) At what levels are there gender inequalities in profits or remuneration either because of overt discrimination or because of gender segregation of tasks?
- 3) Why and how are these gender inequalities perpetuated?
 - Because of formal or informal codes?
 - Because of gender inequalities in qualifications and skills?
 - Because of gender constraints outside production e.g. lack of control over income, unpaid household work, restrictions on movements outside the home and relations with men?
- 4) How has the intervention/s affected gender differences and inequalities in relation to questions 2, 3 and 4?
- 5) Where are there possibilities for change? e.g.
 - Through reducing gender-specific social vulnerability of women or men?
 - Through direct support to remove gender differences in productivity?
 - Through support to reduce gender differences in negotiating power at different levels, both within enterprises and putting out systems and within the household?
 - Through consumer pressure and voluntary Codes of Conduct on gender equity?

- Through legislation and/or mandatory Codes on gender equity?

SECTION 3: FROM PARTICIPATORY ANALYSIS TO EMPOWERMENT PROCESS: CHALLENGES AND WAYS FORWARD

Value chains analysis can be used as a sort of meta-framework for in-depth research and one-off external impact assessments. As such it faces similar inherent challenges common to all types of impact assessment: identification of boundaries of investigation, stakeholder identification, economic measurement and qualitative assessment. As discussed in detail above, rigorous quantification or qualitative investigation of any or all of the dimensions of value chains analysis above may be complex and difficult to assess, depending on the particular context or sector being investigated

Like any process of participatory action research, participatory value chains analysis is also no panacea for all the problems of enterprise development and poverty reduction. It cannot be seen as a substitute for negotiating the problems of difference and conflict of interest and the inevitably contentious issue of how far change can take place in the relative position of different stakeholders in the chain without breaking the chain itself. It is extremely important to emphasise that understanding the chain and how it operates is a long-term process, different people will have different perspectives and it may never be possible to obtain complete information. In some cases there may be very little room for improvement in the situation of those at the bottom because of intense competition in markets, skills or other constraints which cannot be solved from within the chain itself and/or limited opportunities without considerable change in the economic, political or social context.

Nevertheless, despite its shortcomings, it does have considerable potential as a focus for setting up ongoing structures for accountability and empowerment as part of a participatory and sustainable learning process. Where treated sensitively and effectively facilitated, participatory value chains analysis is useful in:

- identifying the potential range of different types of intervention at different levels which might be possible,
- providing a broad benchmark framework with which to bring together the different stakeholders to identify and track their common or conflicting perspectives and to track contextual changes.
- providing a common methodology and diagram language which can provide the basis for ongoing and sustainable learning by and between stakeholders to inform decision-making and policy.

Drawing on the discussion of [Empowering Enquiry](#) elsewhere on this web site Box 8 outlines some guidelines which can help address some of the inherent challenges which will inevitably be encountered in the participatory process.

BOX 8: PARTICIPATORY VALUE CHAINS ANALYSIS FOR EMPOWERMENT: SOME GUIDELINES

- **Respect people's time:** All peoples' time is precious. People should benefit from the time they give to the action learning process
- **Start with the positive and constructive** rather than 'problems'. Start with attempting to identify potential areas of mutual interest before going on to areas where there may be conflicts. This will serve to build rapport and mutual understanding between participants which will help to enable more sensitive areas to be investigated later.
- At the same time, progressively analyse and document **potential constraints and conflicts of interest**, invite suggestions as to how they might be overcome without increasing instability or vulnerability of the value chain itself and/or the poorest stakeholders within it.

- **Do not raise unrealistic expectations** but stress the importance of first understanding these opportunities and constraints affecting stakeholders at different levels, the potential areas of mutual interest and proceeding slowly.
- Clearly identify **the types of information which are most likely to be persuasive for different stakeholders**. The diagrams provide a common language which can assist communication between different levels of the value chain where people have very different levels of education and literacy. Some policymakers will however require statistics.
- Right from the beginning start to provide participants with the **necessary skills and contacts** to develop their own independent information networks and learning processes.
- Right from the beginning **identify and develop contacts, networks and structures** which will enable the linking of the investigation into decision-making
- At all stages ensure that **the voices of the poorest and most vulnerable** are both heard and given priority. Discuss at the beginning the types of issues of most importance to these people and the types of support they might need in order to ensure their full representation from design of the investigation to participation in policy level decision-making.

It will also be important for those supporting such a process to play an objective and critical role in ensuring that the main aims and principles of Participatory Value Chains Analysis are clear to all concerned, and reflected throughout Terms of Reference and funding decisions and guidelines. Some of the questions which need to be asked by funders of the process are given in Box 9.

BOX 9: KEY QUESTIONS IN ASSESSING THE CREDIBILITY AND EFFECTIVENESS OF PARTICIPATORY VALUE CHAINS ANALYSIS

WHAT IS THE SCOPE OF THE INVESTIGATION?

- Why is the investigation being conducted and for whose benefit?
- Which particular interventions are covered by the investigation? Why are they important? Are any key related interventions left out? Is the scope too broad and unmanageable?
- Which value chains, networks and geographical locations are covered? How easy it is likely to be to obtain information? How reliable are the sources of information identified? What are the key areas where new information is needed?
- How are governance and power relations to be investigated? How easy is it likely to be to obtain information? How contentious and sensitive is the information likely to be?
- Do the frameworks and quantitative and qualitative measures proposed incorporate the perspectives and issues of those most disadvantaged in the chain? Is gender analysis fully integrated? Should issues like child labour or ethnic divisions be included and what are the implications for scoping and design of the investigation?

WHO IS PARTICIPATING?

- Which different stakeholders have been identified? Does this give adequate representation to the different interests involved? How are women and other particularly vulnerable groups represented?
- Who is participating in the investigation? How reliable is their information likely to be? Will they need any particular training? How will they benefit?

- How is representation of the most vulnerable to be ensured? For example are separate workshops and investigations planned for these groups? Are the specific needs of these groups in terms of timing and location of meetings taken into account?
- How is participation of those currently in powerful positions in the chain to be enlisted? How will potential sensitivities and conflicts of interest be dealt with in the investigation?
- Are other key stakeholders in the relevant development agencies and decision-making bodies involved in the process?

HOW IS THE INVESTIGATION LINKED TO DECISION-MAKING?

- How is this information to be fed up the chain to influence decision-making? Is there appropriate emphasis on the most useful types of quantitative and qualitative information?
- What is the potential for change which serves the interests of all stakeholders? How is this to be assessed?
- How well have dissemination issues and methods been thought through to ensure that the right sort of information reach those most able and likely to use it?
- How far and in what ways can change be promoted through networking and organising at different levels of the chain?
- What structures exist to resolve potential conflicts of interest at the level of decision-making?

APPENDIX 1: VALUE CHAINS ANALYSIS: ORIGINS AND DIFFERING APPROACHES

Value chains analysis has been used to examine different types of value chain or system.

BOX A1.1 TYPES OF VALUE CHAIN/SYSTEM

Supply chains: a generic label for input-output structure of value added activities, beginning with raw materials and ending with the finished product.

Chains/filières: a loosely-knit set of studies, mainly in French, which used the idea of a chain or filiere of activities as a method to study primarily agricultural export commodities such as rubber, coffee and cocoa.

International production networks: studies focusing on the international production networks in multinational corporations which act as global networks (Borrus et al 2000).

Global commodity chains: an emphasis on internal government structure of supply and demand which distinguished between producer-driven and buyer-driven chains and on the role of diverse lead firms in setting up global production and sourcing systems (Gereffi and Korzeniewicz 1994).

Global value chains: studies which highlighted the relative value of those activities that are required to bring a product or service from conception through the different phases of production (involving a combination of physical transformation and inputs of various producer services), delivery to final customers and final disposal after use.

Current discussions of value chains analysis have their origins in two rather distinct traditions:

- **the Anglophone Global Commodity Chain (GCC) analysis** developed by Gary Gereffi and others within the framework of an analysis of the political economy of development and underdevelopment, originally derived from world systems theory and dependency theory⁵.
- **the Francophone 'filière' tradition** developed by French researchers at the Institute National de la Recherche Agronomique (INRA) and the Centre Internationale en Recherche Agronomique pour le Développement (CIRAD)

A1.1 Anglophone Global Commodity Chain (GCC) analysis This was developed by Gary Gereffi and others within the framework of an analysis of the political economy of development and underdevelopment, originally derived from world systems theory and dependency theory⁶. It was developed primarily for analysis of the impact of globalisation on industrial commodity chains. Between 1960 and 1980 globalisation was seen as leading to profound changes in the process of production (from 'Fordism' to 'post-Fordism') and a process of concentration of power and resources in the North, multinational companies and, to a lesser extent, Southern elites.

The primary focus is analysis of the international trading system and the increasing economic integration of international production and marketing chains. Within these chains there are important inequalities in power which affect the ways in which integration takes place, and who benefits. Gereffi (1994,1995) identified four dimensions:

- the input-output structure of the chain
- the territory it covers
- its governance structures which affect barriers to entry and coordination within the chain

⁵ GCC was originally set out in Gereffi and Korzeniewicz 1994. The original discussion of dependency theory from which this originated can be found in Wallerstein 1974 and Hopkins and Wallerstein 1994)

⁶ GCC original texts! The original discussion of dependency theory from which this originated can be found in Wallerstein 1974 and Hopkins and Wallerstein 1994)

- the local, national and international institutional framework which shape the conditions under which key agents incorporate subordinate agents through their control of market access and information

This analysis has been used for a range of different industries. A particular distinction has been made between:

- *producer-driven GCCs* like the automobile and aircraft industries where barriers to entry occur because of the need for large-scale high-technology production involving heavy investment and economies of scale. Producer driven chains are increasingly structured so that low profit activities are outsourced upstream to networks of suppliers, bound by contract to produce according to tightly specified conditions. The latter compete to supply the key agent, who therefore does not need to observe the same level of obligation unless there are particularly preferred suppliers for some reason.
- *buyer-driven GCCs* like agriculture, garments, footwear and toys. These have low barriers to entry in production. Here producers are subordinated to the key agents controlling design and marketing, specifically the control of international brand names and retailing, where barriers to entry are higher profits concentrated. Production is increasingly outsourced to a competitive decentralised system of subcontractors, the majority typically located in developing countries, often arranged in a multi-stage and also multi-quality array, with the bottom technology, quality and value added located in the least developed countries with the lowest wages.

GCC analysis attempts to develop a unified theoretical framework which can identify appropriate production and marketing strategies and key points for upgrading for firms within particular types of commodity chain in order to change existing power relations within the chain.

A1.2 Francophone 'filiere' tradition. This was developed by French researchers at the Institut National de la Recherche Agronomique (INRA) and the Centre Internationale en Recherche Agronomique pour le Developpement (CIRAD) as an analytical tool for empirical agricultural research. It is seen as a neutral, value-free technique applied to analysing existing marketing chains for agricultural commodities. Here there is no attempt to develop a unified theoretical approach. Rather there is a loosely knit set of studies which uses the framework of the chain of activities and exchanges as a tool to delineate the scope of their analysis.

The approach started by studying contract farming and vertical integration in French agriculture in the 1960s. It was then applied to the analysis of production and marketing chains in selected export commodities like rubber, cotton, coffee and cocoa. The studies initially dealt mainly with local production systems and consumption because trade and processing in the African contexts with which they were concerned were all regulated by the state which undertook all transport and marketing of commodities at set prices.

A key concern has been how public institutions affect local production systems. They have integrated the insights of regulation theory and transaction costs theory for the study of the restructuring of specific chains. *Filiere* analysis has been used to justify the maintenance of interventionist systems like stabilisation funds because of French research showing negative consequences of market liberalisation in developing countries. Analysis has recently come to deal more directly with issues of trade marketing to discuss the operation of commodity chains in liberalised economies. Another concern has been the relative competitiveness of primary commodity exports from former French colonies.

Some studies consist of quantitative analysis of inputs and outputs, prices and value added along a commodity chain. However analysis tends to be static over a short period of time and the commodity chains are rarely studied in their whole length.

A different tradition comes from anthropology dating from the 1970s with studies of the Sahelian grain markets in the context of the contemporary food crisis in the region. These focus on markets and power in the local context.

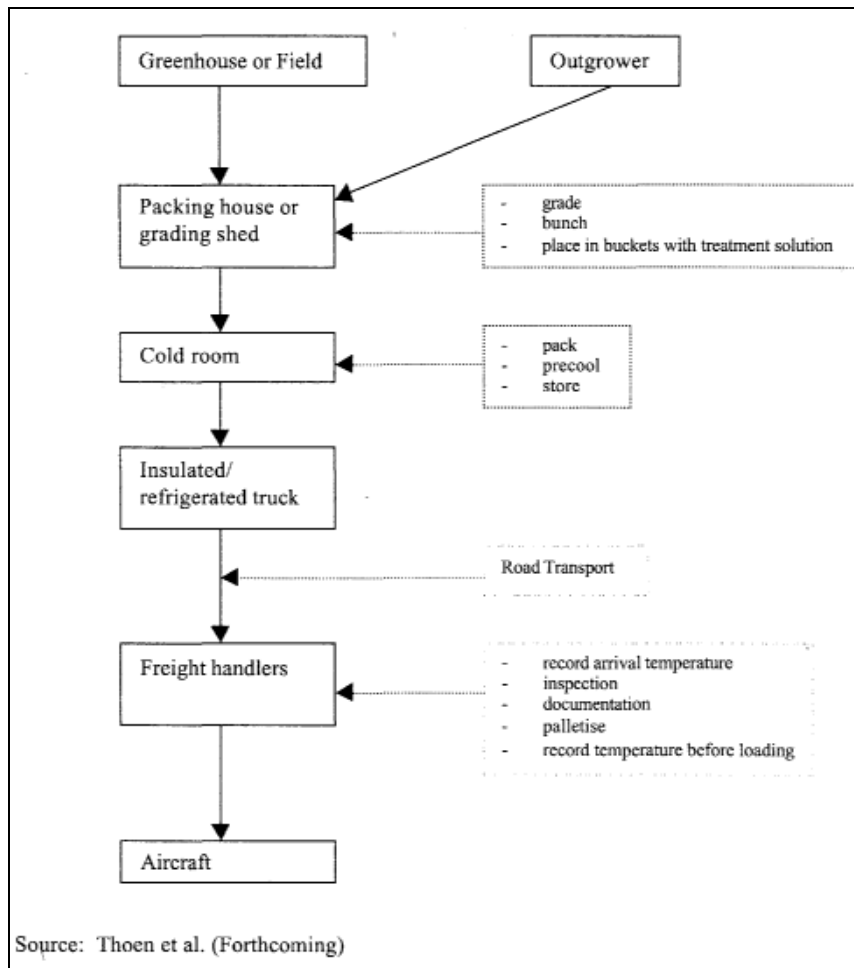
More recent studies are concerned with post liberalisation food crop chains in Francophone Africa where one chain is dominated by private oligopolists with good connections with the state. Here the scope of the chain, price levels, supply sources, types of product exchanged and main area of their consumption are mainly determined by disparities in external trade policy between different West African states. It is underwritten politically by the state. Alongside this chain is another apparently completely separate small-scale one. This is much more widespread and contains processes of competitive price formation, with high levels of price instability, coupled with regular shifts in power relations between different agents and a relatively undeveloped division of labour. This chain flourishes on the basis of a high degree of adaptability and institutionalised presence of a variety of risk spreading/limiting institutions or practices. It is underwritten socially by a series of patron-client relations and ethnic solidarity.

One of the issues of interest is that of coordination and the role of different modes to ensure quality necessary in the current economic context where price alone cannot be taken as the only measure.

APPENDIX 2: USING DIAGRAMS: SOME PRACTICAL EXAMPLES

A2 .1 EXAMPLES OF BASIC MAPS

Figure A2.1a Supply Chain for Kenyan flower production



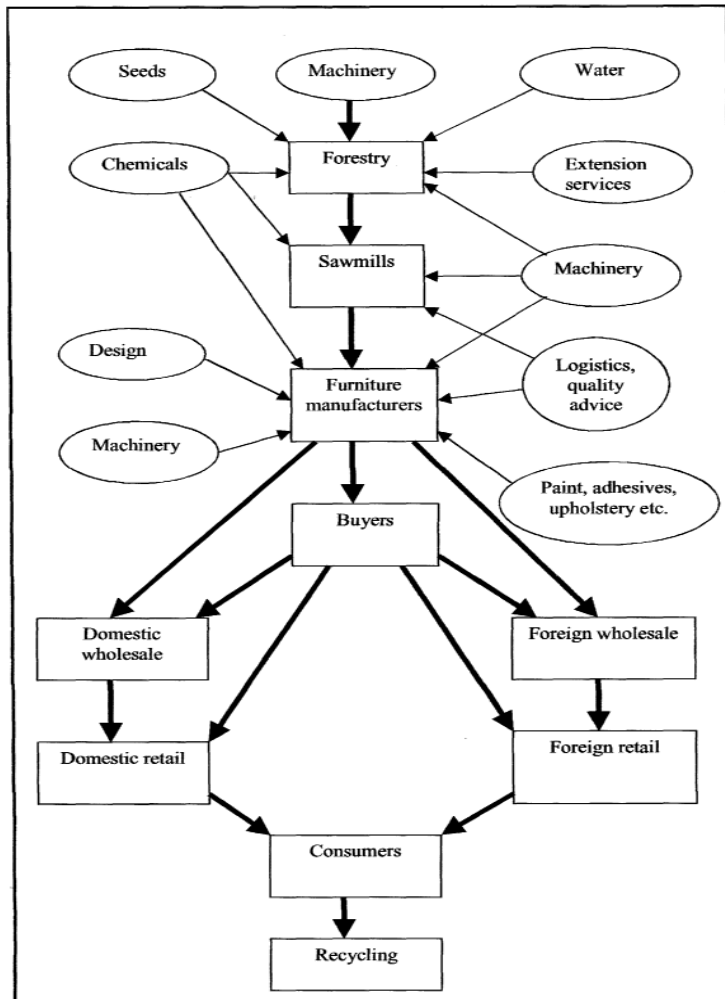
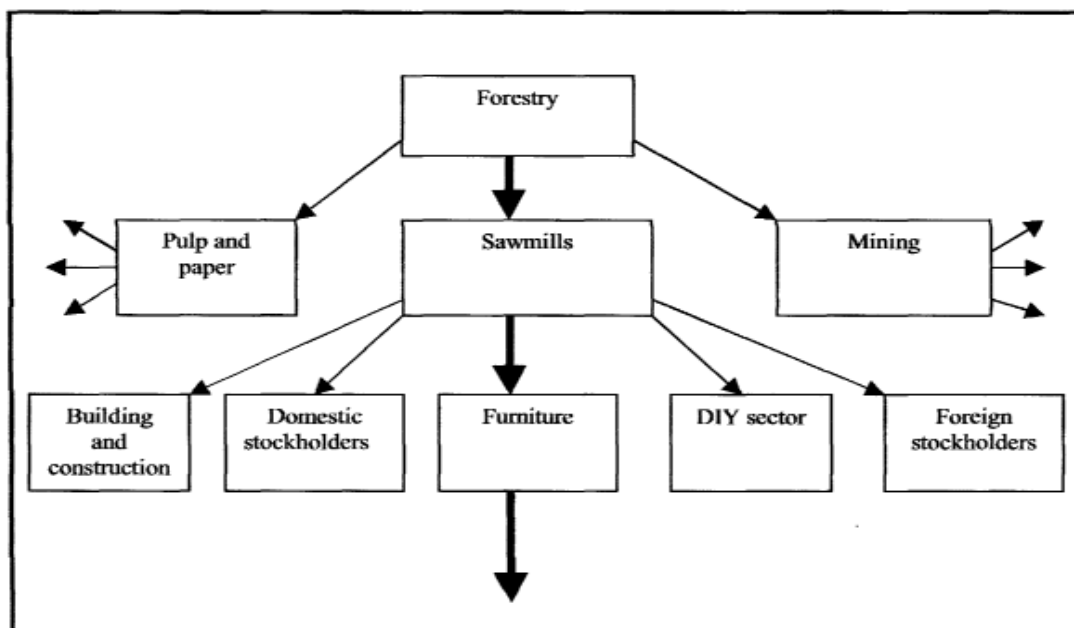


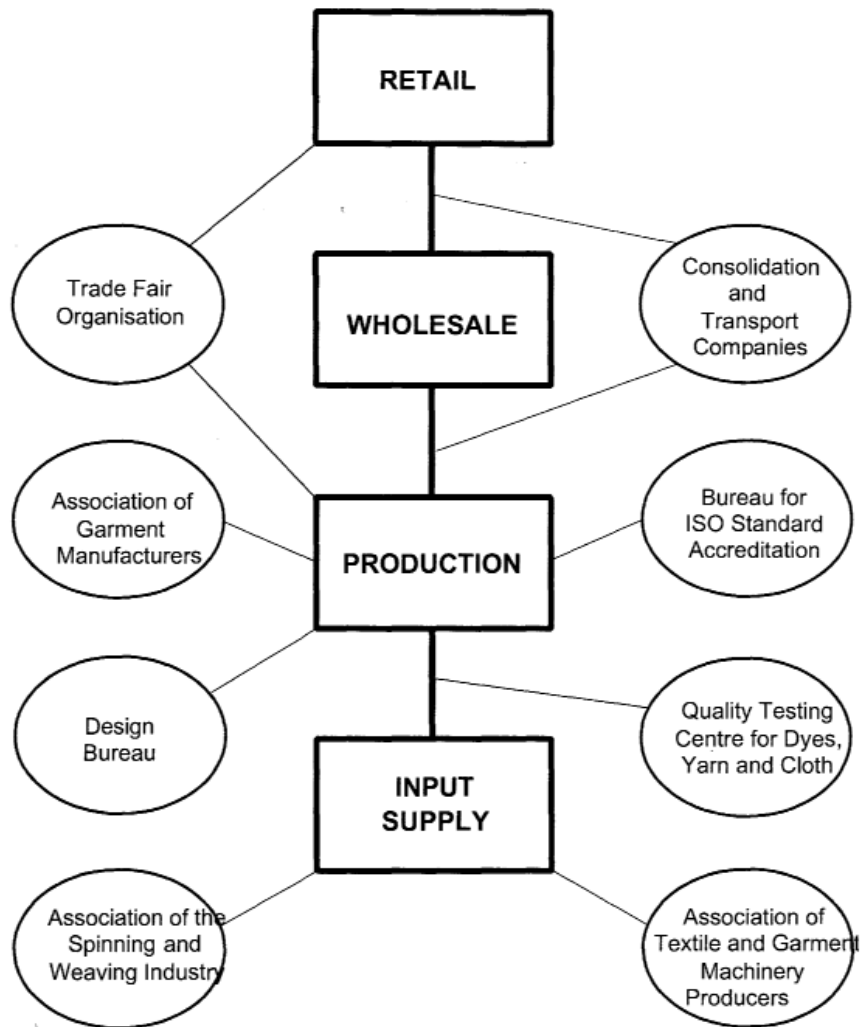
Figure A2.1b
The forestry, timber and furniture value chain.
Source: Kaplinsky and Morris 2000 p5.

Figure A2.1.c
One or many value chains? Mapping a network of chains
Source: Kaplinsky and Morris 2000 p6.



A2.2 BUILDING ON THE MAP

Fig A2.2a Mapping producer services for the garment chain
Source: McCormick and Schmitz 2001 p. 71



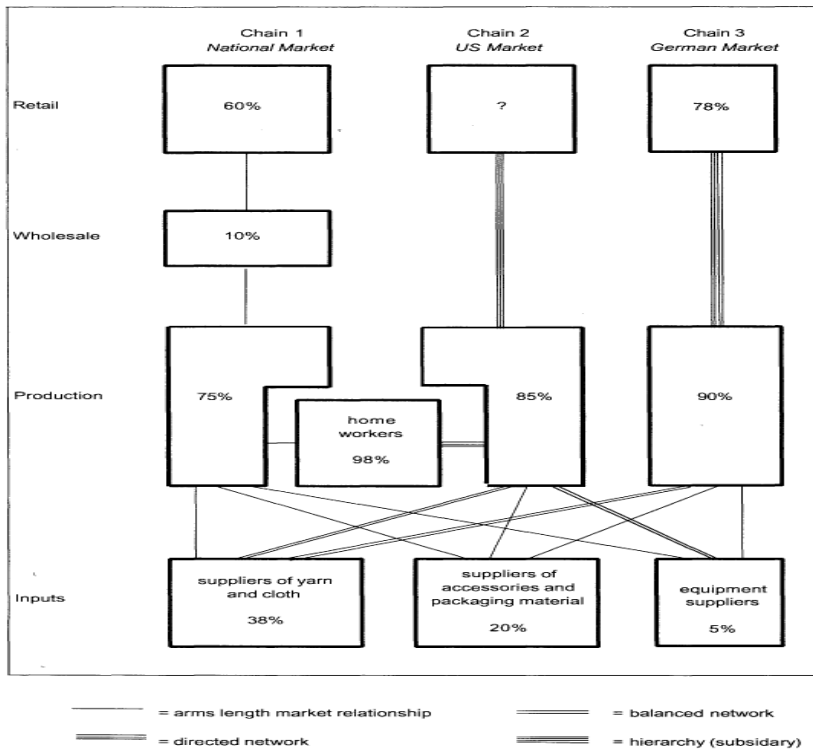


Fig A2.2b Marking on percentage of female workers
 Source: McCormick and Schmitz 2001 p. 60

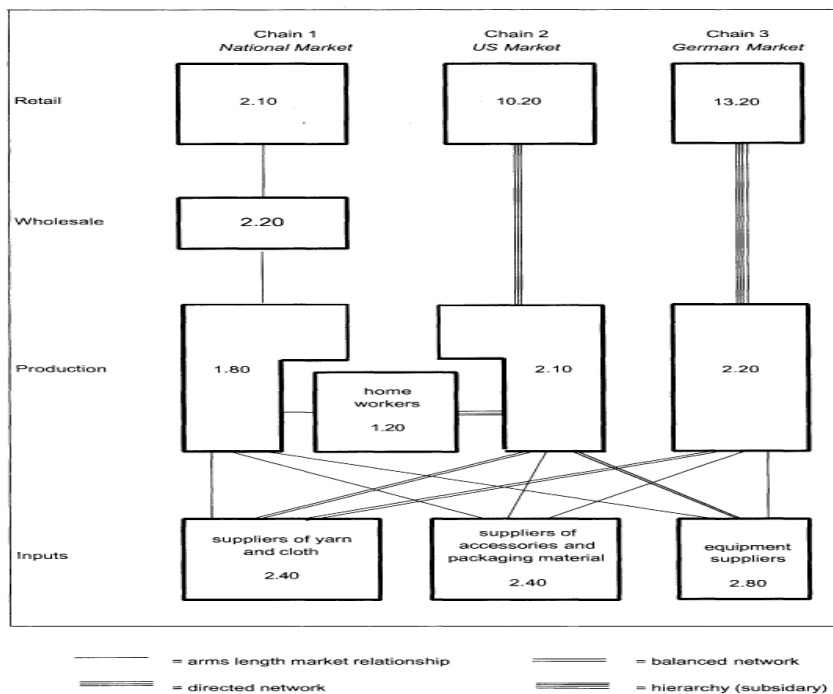


Fig A2.2c Marking on wage levels (in US \$)
 Source: McCormick and Schmitz 2001 p.52

A2 .3 DRAWING SUB MAPS AND DIAGRAMS

A2.3.1 Examining common and different interests

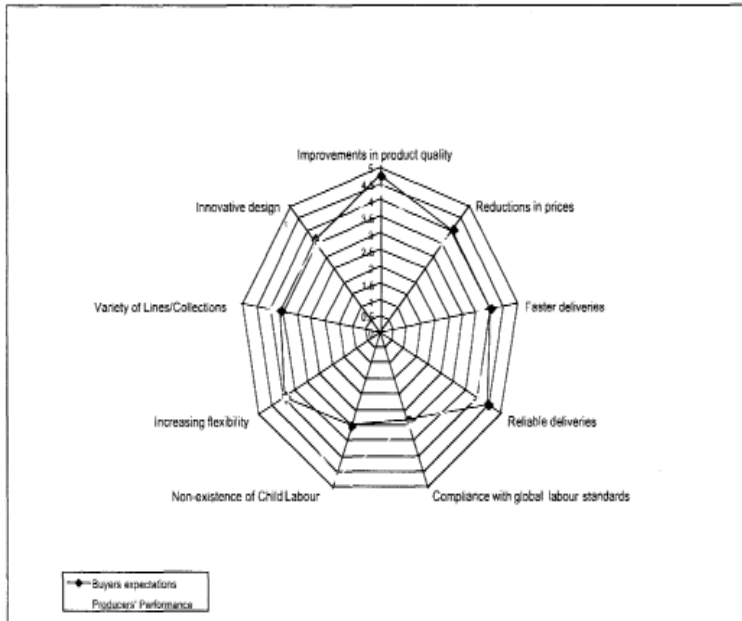
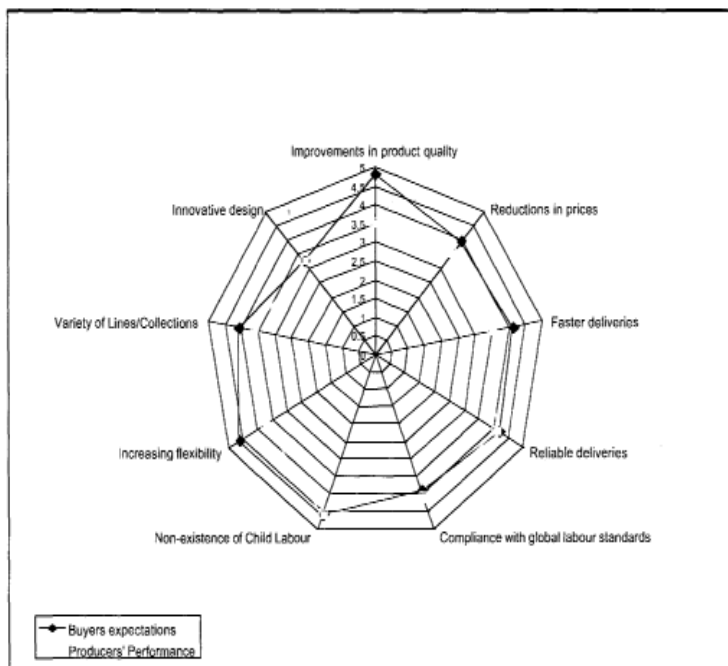


Fig A2 .3.1a Expectations of buyers and performance by producers from the producers point of view
Source: McCormick and Schmitz 2001 p 94

producers from the buyers' point of view
Source: McCormick and Schmitz 2001 p 95

Fig A2 .3.1b Expectations of buyers and performance by



A2.3.2 Mapping networks

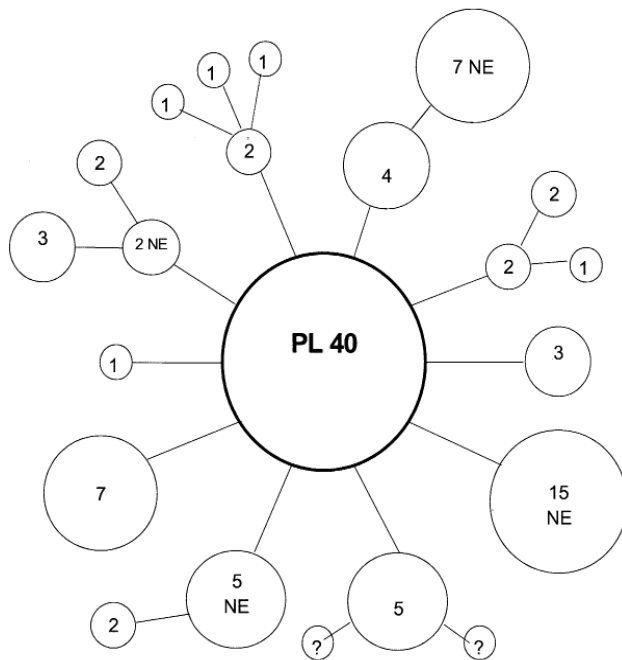


Fig A2 .3.2 a Network of homeworkers for one enterprise

Source: McCormick and Schmitz 2001 p 67

- This could be further refined through marking on e.g. gender of workers, piece rates and/or locations of different clusters, levels of autonomy, information flows and so on.
- Comparative diagrams of the incidence of homeworking in different types of enterprise could be drawn up and used as a basis for investigating reasons for increase or decline in homeworking.

APPENDIX 3: REFERENCES AND RESOURCES

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Contains direct links to many of the resources listed here as well as an overview of issues.