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Topic: **What's in it for you? Overview on ValueLinks 2.0 – What is new?**  
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## **Interview with Andreas Springer-Heinze and Alfons Eiligmann**

### **1. Why have you created the new ValueLinks 2.0?**

Since we created ValueLinks in 2007, we have observed three important trends: The first is, of course, the evolution of the sustainable development agenda, the famous Agenda 2030. VC development contributes directly to certain SDGs: SDG 8 on good jobs and economic growth, and SDG 12 on responsible consumption. VCD generates benefits for both. But we also expect VCD to contribute to and support many of the other SDGs, especially SDG 1 and 2 – related to poverty and hunger, and SDG 14 and 15 – related to the protection of ecosystems.

The second point is that we have noticed how relevant the VC approach is for our partners. ValueLinks is not only a methodology for GIZ and other development agencies but also for the partners with whom we collaborate to promote sustainable development. A VCD methodology should serve the demand and the interests of government and private companies providing guidance and offering solutions. This is particularly important in the VC context, given that we speak of VCD as multi-stakeholder process.

The third point is the wide variety of environmental and social issues that have come up in the development debate in the last 10 years – from climate change to gender equity. It has turned out that all major development topics have to do with VCD in one or the other way.

### **2. What is the structure and content of ValueLinks 2.0**

Some of you are familiar with the first edition of ValueLinks in 2007. The structure did not change much compared to the first edition of ValueLinks. ValueLinks 2.0 is structured into 11 modules, following a bit the project cycle management. You have to define your topic, you have to analyze it, have to develop a strategy, have to get organized, have to implement and have to monitor it. Similarly, we have the 11 modules of ValueLinks.

Let me briefly take you through the eleven modules. Module 1 is “Scope of VC development”. It mainly covers two points. First, introduction into the basic terms and defining the boundaries of the VC. Second, how to select the best VC's with high potential. We will talk more about this later. Module 2 about analyzing the selected VCs. It includes the four chapters VC mapping, economic analysis, environmental analysis and social analysis. Module 3 provides tools how to develop a suitable VC upgrading strategy. Module 4 is about project and programme management. How VC projects can cooperate with the VC actors, set up joint planning and steering structures. It also includes Public-Private Development Partnerships with the private sector. In VL 1.0, it was a separate module, now we included it here. The first 4 modules are part of Volume I of the new ValueLinks manual.

Modules 5-11 are presented in volume II. They present different VC solutions for upgrading the VC. We call this a toolbox out of which we can choose a number of options. Depending on the problems and potential of the specific VC, we can choose the most relevant solutions. The solutions include the introduction of innovative business models, the promotion of vertical and horizontal business linkages, better access to VC services, module 8 VC financing, module 9 quality and standards and module 10

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policy instruments. Module 5 Business models is a new module and Module 8 VC finance was as well not covered by the first edition. Module 11 is then about data management and monitoring.

Each module is structured in 2-5 chapters that provide a lot of detailed information and instruments. I find the very clear, straightforward structure of ValueLinks one of its main advantages. We once had seminar participants who said that they participated in a training seminar for another VC promotion approach a few weeks earlier and said it was very rich material. We were surprised and asked them “So why do you participate now in a ValueLinks seminar?” Well, they replied and said “Because now we want to see what can we do concretely”. And there, our toolbox has some straightforward answers.

#### **3. What are the essential innovations of ValueLinks 2.0 – in comparison to the first edition?**

Given the many topics related to VCD that now have entered ValueLinks, we talk, for the most part, about an expansion of the earlier version. (The variety of issues in VCD also is a reason why I have been working on the ValueLinks 2.0 manual for almost three years.) The first set of innovations extending the scope of ValueLinks refers precisely to the sustainability agenda: When we started in 2006, we focused on economic growth and competitiveness assuming that VC upgrading would be pro-poor if we selected the right value chains to promote – growth as a means to overcome poverty.

While this idea is still true, we now treat the environmental and social dimensions directly and explicitly both in the VC analysis, as well as in the strategic considerations. In module 3, we address the economic, environmental and social goals at equal level. This means that there are explicit environmental and social strategies for VC development and transformation, in total nine strategic options that decision makers and practitioners should choose and combine.

Having said that: Whichever strategic options we go for, a VCD strategy can only be successful, if we make sure that the solutions make economic sense. This leads to a second set of additions to ValueLinks: Any innovation in a VC, be it technical or organizational, translates into changes in the business models of the operators constituting the VC. Only if they are viable and the necessary investment can be funded, the VC will change at a larger scale. Therefore, we have added a new module (5) on biz models and worked out the missing module (8) on VC finance. Both modules are new in VL 2.0.

Economic viability is a necessity but, obviously, not sufficient. Economic growth has to take place within the ecological boundaries and only if it is socially acceptable and inclusive. As it stands, this can only be achieved by regulation. Thus, module 9 now includes major additions on public and private regulation via sustainability and quality standards. Module 10 has been revised to address social and environmental policies setting the framework for sustainable development.

The last point, number 5 in the list, is the one area where there is a notable difference to the earlier version. This regards the formats for VCD projects, processes of strategizing, planning and implementation, and the cooperation between actors. The latter now include public-private partnerships, which was the subject of a separate module in the old version.

#### **4. How can we identify the right VCs to promote?**

The main tool that we are using here is a ranking grid that comes from the 2015 GIZ/ILO publication “Guidelines for VC Selection”. Let me explain it to you briefly. The ranking grid includes 4 categories of criteria: Economic criteria, social criteria, environmental criteria and institutional criteria. We have these categories because we emphasize on sustainable development. We do not want to promote VCs that are just good regarding their economic potential. Instead, we want to promote VCs with positive environmental or social impact – or promote VCs – where we have high potential to improve the social conditions in the VC or reduce a negative environmental impact.

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For each category of criteria, there are a number of key criteria suggested, as you can see here. Then, there is a weighting. With the weighting, you can give more importance to one category of criteria than to the other. In the presented example, the weighting is highest for economic criteria and lowest for institutional criteria. Then we apply a scoring of 1-5. Let me explain it according to the first criteria “Market demand prospects. The scoring of 5 for the first VC means very good market demand prospects. We multiply this by the weighting of 0.13 for this criterion and get the weighted score of 0.65. The next VC, number 2, just has some moderate market demand prospects. Therefore, it got a score of 3 in this example. Multiplied by the weighting, the weighted score of VC 2 is 0.39. In reality, you would now continue to compare this the same way for further VCs (not only 2). If there were a reasonable difference for the total of the weighted score between the different VCs, you would select the VCs with the highest total score. Meaning that these VCs give you the highest potential according to the different categories of criteria.

Some more comments of the use of the ranking grid: The ranking grid is a model and suggests some key criteria. In reality, you should adapt the criteria to your framework to make the meaning clear. You can also adapt the weighting. If your project has a gender focus, you should increase the weighting for social criteria. If you have an environment focus, you should increase the weighting for environment. Before applying the ranking grid, you need to compile information regarding the different criteria so that you can judge them. To summarize: The ranking grid is a good tool but also requires some thought how to apply it best in a project.

#### **5. How can GIZ use ValueLinks 2.0 for design and implementation?**

The standard format of VCD that everyone has in mind is the full-scale VCD project, in which the lead actor (e.g. GIZ) selects a VC and intervenes into the entire VC to enhance competitiveness, sustainability and socio-economic inclusion. However, we are almost never alone, and certainly never the first to promote a particular VC. In most cases, there will be government policies and other projects that already cover at least part of the problems. Consequently, GIZ projects tend to focus on specific issues and particular target groups. Very often, VCD is equated with “linking farmers to markets”. Focusing is necessary and perfectly ok. However, here is a word of warning: Whichever topic we concentrate on in a VCD initiative, we have to place it into the context of the value chain and its markets.

Another point is the fact that poor people often have different sources of income. They don't only participate in one value chain but are active in different markets. The livelihoods of poor people depend on their integration into a local economy. The local ecosystems and natural resources at the production locations also play an important role, especially where value chains depend on them, as in the case of agriculture, catch fisheries or biodiversity-based products. This introduces a second, crossing perspective: The vertical perspective of the value chain is matched with a horizontal, spatial perspective. In fact, 90% of our projects are at the crossing point of both perspectives. Many projects combine a vertical VC component with horizontal activities at regional, community or ecosystem level.

In any case, we can say that ValueLinks 2.0 stands for the vertical, VC perspective using it either as a stand-alone concept or as a complementary component in another program that focuses on natural resource management, rural development, biodiversity or livelihoods.

#### **6. How can the manual help us to improve VC promotion? Which are the most important new tools?**

First, we have a number of new tools for the environmental analysis: With the environmental impact matrix, we can make the main environmental problems in VCs visible and structure them. The hotspot analysis of the Wuppertal Institute for Climate, Environment and Energy allows us to go one step further: To indicate where in the VC, we have real hot problems. A tool to compare the relevance of environmental problems. The climate proofing and climate change vulnerability assessment allows

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assessing climate change risks and potential needs for adaptation of production systems in our VC. The UN approach called The Economics of Ecosystems and Biodiversity makes the economic value of ecosystems explicit. With ecological footprint analyses like the carbon footprint analysis, we can measure the consumption of resources used in our VC.

Second, we have some tools for social analysis: Gender mapping means assessing the role of women in the VC and what control of assets and power women have in the VC. Poverty mapping helps us to identify particularly poor actors in the VC and to characterize the poverty issues they have. Of growing interest is also the relationship between VCs and livelihoods and nutrition. Does market oriented production worsen the nutrition of families? Does increased income lead to improved nutrition?

Third, regarding project design, processes, steering and cooperation: There is quite some change in how to facilitate the strategy development process. We assess strategic considerations and strategic options for economic, social and ecological development and formulate the key ideas in a vision statement. We also present examples of participatory multi-stakeholder planning seminars and how to manage the VC upgrading project in cooperation with the private sector

Fourth, our solutions for value chain development: A highlight of ValueLinks 2.0 are the tools to promote innovative business models. How to identify good ways to do a certain business, how to assess different business models and introduce new business models. Further, how to replicate good business models at large scale. For entrepreneurship development, we talk about Farmer Business Schools and other entrepreneurship promotion approaches. We also developed much more the content on contract farming as a vertical business linkage solution and the capacity building of cooperatives as a horizontal business linkage. For improved access to services, a chapter on demand and supply side analysis of service provision is part of ValueLinks 2.0. With regard to financial solutions, different options of VC internal and VC external financing are presented, as well as a chapter on risk management. With regard to standards, the role of sustainability standards is explained, as well as how to build up quality assurance systems. Policy instruments now cover a much broader field including environmental and social regulations.

Last, but not least, data management and monitoring: There are some examples of tools for data management and updated impact pathway and results models. Finally, I would like to say that this slide is not comprehensive, but we tried to give you an overview on a number of new tools in the new manual.

#### **7. What are the next steps for ValueLinks 2.0? Outlook for 2018?**

Having a methodology is one thing, sharing and applying it, another. Thus, we first have to talk about CD and communication ....

The other big issue is the continued development of the methodology: ...

#### **Open discussion: Which questions / issues do the participants have?**

1. Is the ValueLinks 2.0 already available online? If so, where can I find it?
  - The tools can be found on the ValueLinks website ([www.valuelinks.org](http://www.valuelinks.org))
2. Have the new tools of ValueLinks 2.0 already been applied in projects? Can you give us some examples?
  - EU consultants have already used the manual in March – it has already spread outside the ValueLinks community
  - Gender tools have been used in gender case studies for the Global program “Green Innovation Centres”, environmental tools, and business models are already being applied as well

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3. Who are the international partners you/we work with, with regard to improving data and documentation of VC development?
  - There are always different actors operating in VC projects, using different forms of analysis with quantitative data – this data has to be brought together and statistical definitions need to be formulated, so that information can be collected
  - The documentation of VC development is still in its infancy, but the necessity is recognized
4. How did you select the different criteria within each analysis/what sources did you use? For example regarding the environmental analysis, are the criteria linked to the ones of the environmental impact assessment of the UNEP?
  - Simplified way: no additional source has been used
  - The criteria have been decided by discussion and adapted to the objectives of the project
5. Could you elaborate on the gender mapping? Will it be a standard element of the methodology or rather an 'add-on'?
  - From the methodological point of view it is just an option, not a standard and not obligatory; but also, it is not only an 'add-on'
  - It depends on whether gender issues play a role and whether they are part of the project objective
  - The gender-mapping as a tool is not too complicated and can be looked up in the manual
  - There will also be a guide on gender in VCs soon to come, as a result of three studies that has been commissioned recently
6. What are the implication of ValueLinks 2.0 with regard to capacity development? Will future VL-trainings include all the new modules?
  - VL-trainings already include the new material, modules and content
  - In many countries ValueLinks trainers have been trained – the question is, if the countries have used the old materials properly before and if they really use the new material
  - Not every subject matter can be covered in a one-week training – there is always another possibility to pick out one specific subject matter and do special trainings > depends on demand; more specialised trainings are yet to come

#### Final question: Which topics shall we discuss in the coming sessions?

- Which tools does the ValueLinks manual offer with regard to **nutrition-sensitive VCs**?
- New Global Program on **agricultural VC finance**; important issue: how much does an innovation into a VC cost in financial terms; what does it mean in terms of mobilizing those funds – that includes also new training materials that will be developed in the next year
- Specific tools and their application, especially regarding **environmental aspects/biodiversity** and gender aspects
- **Farm economics** and related **business models, Cooperative Business School**
- **Gender** in value chains
- **Data and documentation**

**Next webinar: 25<sup>th</sup> January 2018, with focus on one specific topic**