



A Value Chain Approach to Economic Development

The central goal of ACDI/VOCA's value chain approach to private sector development is to accelerate economic growth and poverty reduction. Toward this end, ACDI/VOCA uses a participatory, stakeholder-driven approach to exploit opportunities for investment and growth in industries with high levels of micro and small enterprise (MSE) participation.

This approach analyzes the firms in a market chain—from input suppliers to final buyers—and the relationships among them. It analyzes the factors influencing industry performance, including access to and the requirements of terminal markets; the legal, regulatory and policy environment; coordination between firms in the industry; and the level and quality of support services.

Relationships among firms in an industry can facilitate production and marketing efficiencies and enable the flow of information, learning, resources and benefits. ACDI/VOCA works with industry stakeholders to strengthen or restructure relationships and address resource constraints in order to increase the competitiveness of the industry in the global marketplace and the ability of small firms to contribute to and benefit from this increase in competitiveness.

Working with the U.S. Agency for International Development (USAID), other donors, local governments and industry leaders, ACDI/VOCA promotes MSE access to critical technical, financial and business services to increase efficiency, improve quality and benefit from new markets. ACDI/VOCA provides technical assistance at the firm level to improve capacity to benefit from market opportunities, better inputs and more productive technology. At the market level, ACDI/VOCA alleviates constraints along competitive value chains by supporting suppliers of critical support services and by improving the business enabling environment to increase the contribution of the industry to economic growth and poverty reduction.

India Growth-Oriented Microenterprise Development Program (GMED)

ACDI/VOCA is implementing the \$6.3 million Growth-Oriented Microenterprise Development Program (GMED) in India under the Accelerated Microenterprise Advancement Project (AMAP). The goal of the program is to develop sustainable and scalable approaches to job creation through fostering the growth of MSEs. The program focuses on high-value agriculture and urban services, specifically fruits and vegetables, organically certified oilseeds, broilers, and solid waste management. GMED also includes two cross-cutting components: financial services and policy advocacy.



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GMED uses a value chain approach with embedded services as the primary service delivery mechanism. This necessitates entering into partnerships with larger firms and organizations with commercial, transaction-based linkages to MSEs. GMED acts as a technical advisor to these partner firms and organizations in order to expand the scope and effectiveness of the embedded services and ensure proportionate benefits for the MSE service recipients. The GMED guiding mantra is “linkage, leverage and learning”— helping to create more effective linkages among the various actors in the respective value chains, leveraging the resources of the larger firms and organizations to benefit smaller enterprises, and wide dissemination of the lessons learned. To date, GMED has facilitated the formation

of 30 model intermediaries that provide embedded business services to at least 60,000 MSEs.

Kenya Maize Development Program (KMDP)

Despite a high rate of maize consumption, prices for the commodity in Kenya are among the highest in sub-Saharan Africa. Inefficient production and marketing in the maize value chain contribute to economic stagnation and poverty. In accordance with the value chain approach, KMDP seeks to improve the ability of private sector service providers—such as traders and input suppliers—to effectively deliver the services needed to make maize production and marketing more efficient.



ACDI/VOCA's Kenya Maize Development Program (KMDP) aims to make maize production and marketing more efficient.

Seasonal buyers, commonly referred to as brokers, play a key role in the maize value chain for most smallholder producers in western Kenya. However, the relationship between brokers and smallholders has grown increasingly adversarial over the years as farm-gate brokerage has employed buying practices widely viewed as exploitative of the farmers. With the hope of reversing this trend, the Highway Cereal Traders and Marketing Brokers Association is partnering with ACDI/VOCA's KMDP to provide improved services to farmers and other stakeholders. As a result of training in post-harvest handling, for example, maize quality has improved, resulting in higher returns for farmers. Accurate and timely price information is provided through a network of Market Information Centers and disseminated to mobile telephone users through text messaging, bringing transparency to the relationship between brokers and farmers. Consequently, farmers now receive prices that are on average 65 percent higher per unit.

At the input supply level, KMDP has partnered with international, regional and local manufacturers and distributors of seed, fertilizer, herbicides/pesticides and farm equipment to establish over 3,500 demonstration plots. This has led to a threefold increase in yield per acre. Working with a commercial bank and a large grain handling company, KMDP is also lay-



Development Program seeks to marketing more efficient.

ing the groundwork for the development of the country's first warehouse receipts system, which will to provide credit access to over 15,000 smallholder maize farmers.

Georgia AgVANTAGE

To encourage economic growth in Georgia, ACDI/VOCA is implementing the USAID-funded Support Added Value Enterprises Project (SAVE), now referred to as AgVANTAGE. The mission of AgVANTAGE is

to strengthen the capacity of Georgia's agricultural sector to respond to export opportunities by mitigating critical constraints and enabling Georgian producers, processors and marketers to successfully compete in international markets. Increasing the competitiveness and profitability of Georgian agricultural products are the primary objectives. The AgVANTAGE vision is for Georgia's reputation to be firmly established by the end of the three-year project as a reliable supplier of high-quality agricultural products that consistently meet buyer specifications. Targets include facilitating at least \$18.5 million in increased export sales through the development of competitive value chains and successful trade relationships.

ACDI/VOCA identifies market and trade opportunities and links Georgian suppliers with potential buyers in these markets. AgVANTAGE works with Georgian companies to help them understand and respond to the market requirements and build long-term relationships with key buyers. The project is establishing a market information system to give Georgian

producers, processors and marketers better access to market information. In addition, AgVANTAGE is facilitating the establishment of a series of distribution centers in key Russian cities, which will serve as points of contact for Russian buyers interested in Georgian products and sales outlets for many of the smaller Georgian producers and processors who cannot afford to enter the Russian market on their own.

Indonesia Global Development Alliance (GDA)

Indonesia is the third largest producer of cocoa in the world, with smallholder farmers in Sulawesi accounting for nearly all of the country's production. While the farmers receive an impressive 75 percent of the world price for their beans, a pest known as the cocoa pod borer had at one point destroyed approximately 40 percent of the Sulawesi crop and lowered the quality of cocoa being produced, thus threatening the livelihood of over 400,000 smallholder farmers.

ACDI/VOCA joined with USAID/Indonesia, the World Cocoa Foundation and Mars, Inc., to form a public-private sector partnership called the Sustainable Cocoa Enterprise Solutions for Smallholders (SUCCESS) Alliance. In 2002, SUCCESS Alliance was awarded a USAID GDA grant to build on ACDI/VOCA's USDA-funded cocoa activities. The grant included training for over 100,000 farmers in a low-cost, low-input cultural method for controlling the cocoa pod borer, and coordination of research to improve farmer practices and reduce environmental degradation.

The SUCCESS Alliance worked to link smallholders with commercial business partners, local training resources and commercial credit providers in order to improve farmers' understanding of and position in the market. As a result, the average income generated or saved per farmer during the life of the three-year project amounted to \$435 per hect-



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are per year, which equals 80 percent of Indonesia's per capita income.

Agribusiness Linkages for Egypt (AgLink)

AgLink was designed to increase the productivity, efficiency and sustainability of small- and medium-scale enterprises in Egypt's livestock sector by delivering technical assistance and training in technology transfer, marketing services and access to credit. AgLink provided support to three value chains—dairy, meat and meat processing, and feed and farm supply—and facilitated strategic alliances between U.S. and Egyptian firms to promote technology transfer, trade and investment.

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to maintain the standards necessary for competing in the global economy. AgLink processing clients experienced an 80 percent increase in export sales, amounting to over \$18.5 million; and 2,079 metric tons of meat and 82,031 metric tons of milk were added to Egypt's domestic supply, causing revenues to grow by \$24.5 million. To accommodate higher production levels, increased standards and new technologies and practices, beneficiary farms created an estimated 13,000 additional jobs.

AgLink also encouraged and assisted in the formation of 11 associations, including two industry associations—the Egyptian Meat Producers Association and the Egyptian Meat and Farm Technology Association—to increase market access and address constraints in the business enabling environment. Over the life of the project, the revenues of core clients increased by more than \$72 million and the revenues of non-core clients increased by over \$196 million.



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