

## GTZ Value Chain approaches in the Philippines

Overview and recommendations following the policy round table and *ValueLinks* facilitator training in September 2007



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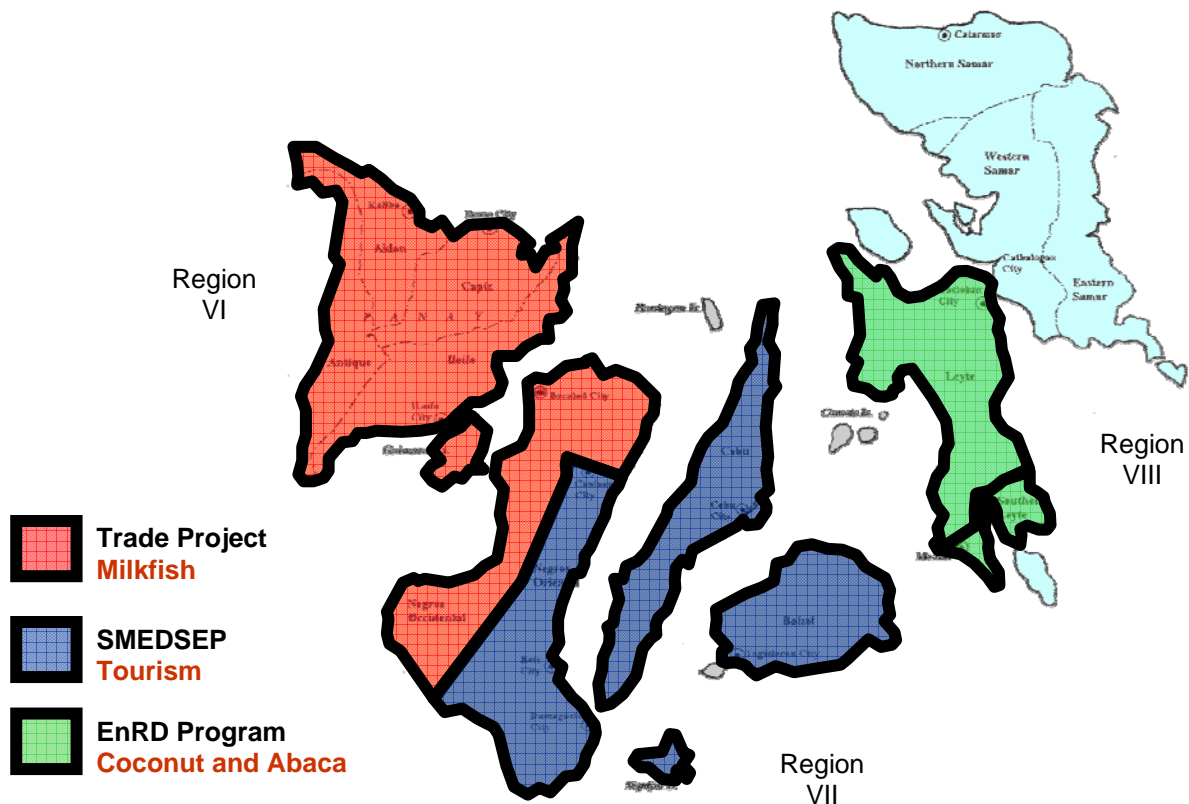
## 1. Background – Value Chain approaches in the GTZ project portfolio in the Philippines


The value chain approach is one of GTZ Philippines' centrepieces in supporting the country's efforts to increase its national competitiveness. Four projects, namely

- Small and Medium Enterprise Development for Sustainable Employment Program (SMEDSEP)
- Environment and Rural Development Program (EnRD)
- Trade Policy and Trade Promotion
- Promoting economic cooperation in BIMP-EAGA

are currently engaged in value chain promotion in selected sub-sectors. Through the four projects, GTZ Philippines aims to develop a core of value chain facilitators who will guide and handle the application of the value chain approach in various sub-sectors, e.g. agribusiness, tourism and services. Initially, two groups of facilitators underwent a value chain facilitators' training in Nepal in late 2005 and early 2007, respectively.

It was agreed by the value chain core group, which consists of participants from the respective GTZ projects, that conducting a value chain training for facilitators in the Philippines using cases based on the country's very own sub-sectors would be very beneficial. The following pictures show the value chains that the projects are currently working on:



 **BIMP-EAGA Project**  
**Cross Border Tourism and Seaweeds/Carageenan**  
**(upcomig: halal, maybe palm oil)**



The stage of intervention of the projects in these value chains vary quite significantly. While some projects are still in the analytical stage, getting a better understanding of the value chains and discussing the current situation with stakeholders, others have already developed intervention plans and, as is the case of the Milkfish value chain, some have already implemented a quite significant amount of activities that start to show impact at the target group level.

This is why the training of facilitators came at the right time, helping the stakeholders and GTZ personnel who are actively involved in these initiatives get a better understanding of the complete *ValueLinks* methodology that has been successfully applied in other GTZ projects in the region, and world wide.

While training facilitators was seen as a key step in bringing these initiatives to a higher level, it was also recognized by the core group that in order to institutionalize the adaptation of the value chain approach in promoting priority sub-sectors in the country, the involvement of policy makers at the national level was very valuable.

Thus, the assignment of an international expert on value chains was carried out as a joint initiative of the four GTZ projects (for the detailed TOR please see annex 5.1).

## 2. Expert's roundtable on Value Chains and Competitiveness

The round table was organized together with the presidential Public-Private Partnership (PPP) Task Force on Globally-competitive Philippines Services industries. It was hosted by Hon. Amb. Cesar Bautista, Co-chair of the PPP task force and GTZ. Participants were a selected group of both public and private sector representatives. In his opening remark Amb. Bautista highlighted the important role of GTZ in being a leading partner to strengthen the competitiveness of the Philippine economy. He also stressed the point that the best opportunities to further contribute to growth and income generation were in the service sector.

The goal of the roundtable was to introduce the GTZ value chain approach and discuss its applicability within the service industry. Mrs. Gomm highlighted that the value chain approach in

its full capacity had not been applied in the service sector in the Philippines up to now, as initiatives here were more focused on sector analysis and the facilitation of Public Private Dialogue. Only recently, within the context of other projects besides the Trade project, the approach started to being used in one important service area, the tourism sector.

The value chain concept and the GTZ approach as presented at the roundtable were very well received by the participants. Some representatives immediately came up with activity ideas that could be implemented under a Public Private Partnership scheme, and asked for potential support from GTZ. As the Trade project is phasing out by the end of 2007, any cooperation with the Task Force on Globally-competitive Philippines Services industries and its related sectors would either have to take place under the upcoming component of SMEDSEP or a Public Private Partnership financed through the PPP Facility.

It is the opinion of the author of this report that it would be very worth while for GTZ to consider applying the value chain approach in the focus sectors of the PPP Task. Its role could be limited to supporting further Public Private Dialogue in the three key service industries which are the focus of the Task Force, and assist in breaking down the already elaborated visions into practical strategies and operational plans. In the IT sector, the facilitation role to implement the operational plans in cooperation with the other public and private stakeholders involved could be left to the rather strong business associations already involved in the initiative, such as the European Chamber of Commerce of the Philippines and the Business Process Association of the Philippines. In other sectors it would be opportune to have a tandem of a private champion in the form of a chamber as well as a public champion representing the government as facilitators of the implementation of the strategy and action plans. GTZ's role could be limited to supporting the champions in their role as facilitators, by

- » further applying the already well established forms of Public Private Dialogue
- » introducing tools to improve the business and investment climate in general and in the respective service industries in particular, and
- » helping to set up Public Private Partnerships trough the PPP facility in these sectors.

Thus, with a rather limited effort in terms of budget, GTZ Philippines could be a catalyst partner in these modern and important sectors of the Philippine economy, while putting the majority of its resources in the more remote focus regions of the Philippine German Technical Cooperation.

### **3. Training of Value Chain Facilitators**

The training of facilitators was conducted in a five day event together with two experienced co-trainers from GTZ Nepal. It was attended by 36 participants plus the 4 members of the value chain core group and, on the last day, four project team leaders from GTZ Philippines. The complete training program can be found in annex 5.3. Slight changes in the program were carried out during the course of the week in order to adjust it to the participants' training needs.

All presentations, case studies, the results of the group work as well as the complete evaluation of the training were handed over to the participants on a CD on the last day of the training. It would go beyond the scope of this report to repeat all the important messages shared between the trainers and the participants that help to run and facilitate value chain development initiatives. Nevertheless, a few key remarks shall be provided regarding each module of the *ValueLinks* methodology discussed during the training.



## Module 0: Deciding whether to engage in value chain promotion

Value chain promotion can and should be an integrated part of many areas of development:

**Private sector development:** Supporting the private sector and strengthening its competitiveness is a target that all governments pursue. A strong private sector will contribute to more jobs, income generation and thus a further reduction of poverty. It is perceived as the engine for future growth. The value chain approach is a key instrument to foster the competitiveness of the private sector.

**Rural development:** Providing jobs and income opportunities in rural areas is an important strategy of sustainable economic development. It counterbalances negative impacts of gaps between fast growing urban areas and rural areas that lack behind. At the same time, it reduces the pressure and negative impacts that heavy urbanization processes cause on the society and the environment. The value chain approach is a good vehicle to strengthen rural economic sectors.

**Sustainable management of natural resources:** Saving our world's environment and our future depends to a large extent on the ecological foot print that production technologies and purchasing habits leave on the planet. Companies can contribute a lot to a more sustainable management of natural resources by improving the way they purchase, process and trade products. If they do this out of pressure from NGO, as part of their CSR policy or simply to make their business economically more sustainable does not matter. The important point is that the value chain approach can help to foster the sustainable management of natural resources.

All three areas described above are important parts of competitiveness strategies and pro-poor growth strategies:

- » A competitive private sector is the pillar for economic growth, which in itself is a precondition for a potential positive impact on poor people through the creation of employment and business opportunities
- » Strengthening the competitiveness of rural economies is key to reaching out to the majority of the poor who typically live in the more remote locations of the country and providing them with jobs and income opportunities
- » Sustainable resource management is key for pro-poor growth, as the poor heavily depend on natural resources for their livelihood, but it is also a precondition for sustainable businesses



## Module 1: Selecting a value chain for promotion

The value chain approach is an ideal vehicle for addressing issues of pro-poor growth and making use of the potentials. Thus, wherever poor people are able to participate in markets, e.g. in the markets for food or labor intensive manufacturing or services, promoting the respective value chains can help lift people out of poverty. But to what extent it will be possible to achieve the double objectives of economic growth *and* poverty alleviation depends very much on the potential of the selected value chains and on how the upgrading strategy is designed. Therefore we need to explore under which conditions a value chain approach actually is appropriate for

tackling the poverty problem. The economic potential and competitiveness of the poor often are limited by generic problems cutting across many if not all value chains

- » Business environment and policy
- » Access to cross-cutting service markets
- » Productive assets and property rights
- » Conditions of the location

Designing a value chain promotion approach has to take these factors into account. As the relevance of the factors differs between markets, the possibility of translating growth into poverty reduction is a matter of carefully selecting the right value chain to promote. We need to explore under which conditions a value chain approach actually is appropriate for attacking the poverty problem. And wherever major barriers to economic participation remain, poverty groups will continue to be excluded from the benefits of economic growth. Depending on the importance of the constraints, the value chain perspective has to be complemented with other interventions targeting the general ability of the poor to engage in business activities (land and water rights, basic education or health services, infrastructure, etc.).



## **Module 2: Analyzing a value chain**

The analysis of a value chain helps us design and prepare a value chain upgrading strategy, create benchmarks for monitoring and start a process of change. We can not improve the functioning of a chain unless we have understood its elements and how they are linked with each other. A critical review of GTZ experiences in Asia has shown that we not always understand the underlying constraints within a certain value chain before we engage in an upgrading project. This is very problematic, as we might engage in activities that tackle the problems at the surface, without really changing the important underlying constraints and incentives.

In order to really understand the underlying constraints, in-depths knowledge of the sector is required. While starting a project, the facilitator normally does not know “everything”. This is why the analysis is an iterative and continuous process. Of similar importance is external knowledge. Unless we bring in visions and creative ideas from outside, we are probably going to be stuck in the same old local stakeholder perspective that has not provided radical positive changes over the past. But these rather radical, innovative changes are highly needed in many value chain environments.



## **Module 3: Determining the upgrading strategy**

Determining an upgrading strategy is the crucial part when it comes to starting to shape the future. Again, a review of GTZ value chain approaches in the region has shown that we do not always have a clear vision and strategy in mind when we get engaged in an upgrading initiative. We do not always ask us how the value chain shall look like in 3 to 5 years from today or how we want to achieve our vision. There are some answers to this criticism.

First, all GTZ value chain initiatives have clear objectives and longer term visions: increasing the efficiency of the value chain and adding value to the local production, processing and trading. Both aspects are fundamental elements in order to increase income for the local value chain operators. Strategies are typically built in order to achieve visible and tangible impact in these two fundamental areas. There are many ways to achieve a more efficient value chain and to add value to the local products. The concrete interventions vary from value chain to value chain and are the response to challenges and opportunities identified in the value chain analysis.

Second, most strategies do attempt to improve the underlying constraints in the value chain. During analysis, in most cases a mix of local and international expertise is used to identify the constraints. This brings in the outside vision and knowledge, avoiding that we end up with a shopping list from local stakeholders. Additionally, strategy building is not a one time activity. During implementation, when GTZ and all partners involved learn more and more about the sector, its constraints, challenges and opportunities, the strategy is being adjusted. We call it an incremental approach.

Third, GTZ has a long history of applying a systemic approach, where it tries to cause changes at different levels (macro, meso and micro) in a multi level and multi stakeholder intervention processes. Over the recent past, more emphasis has been put into causing change at the meso and macro level, connecting value chain work with overall approaches that focus on improving the business and investment climate, and that tackle issues like laws, regulations and standards at the national, sometimes even a world wide level like in the case of the *Common Code for the Coffee Community* initiative.



#### **Module 4: Facilitating the value chain upgrading process**

In many value chain initiatives, facilitating the process is the role of the donor projects and their local counterparts. GTZ projects typically try to stick to a market based approach to facilitating interventions, buying the idea that the best way to ensure sustainability is to take a market based approach to intervention design. The assumption is that by doing this the incentives will be right for the providers and buyers to live off each other in a sustainable way.

The most important choice that projects make in implementation (assuming that the analysis and strategy have been done well) is the selection of the right partner to deal with the identified constraint or opportunity. Typically this mini-project is called “an intervention”. Typically there are 3-7 of these on-going at any one time in a value chain and they are the output of the analysis and strategy development stages.

To guide the projects in their choice of partners (and very often there is not much choice) GTZ uses the subsidiarity principle. This provides a tool for understanding the role distinction between the private sector and government. Most of the Government partners are favoring the evolution of market based solutions.

Subsidiarity in practice, in VC promotion, means choosing from 4 sets of actors:

- » lead firms in value chains
- » stand alone service providers like CBs in certification
- » Business Member Organizations and
- » Government implementing agencies or Ministries

The basic principle is, “which one of these partners has the greatest ability to make the intervention sustainable?” and the answer will depend on how close the aim of the intervention is to fulfilling the partner’s mandate: profit, promotion or regulation. If the sustainability is more reliant on profit it should go to the private sector (lead firm or stand alone service provider). If it is more a promotional intervention it could go to a business member organization or government promotional agency and if it is a regulatory function it make sense to get the business member organization engaged with the government regulator.



## Module 5: Strengthening business linkages

The coordination between different chain operators is at the core of the value chain concept. Linkages exist both between operators at the various stages of the value chain (vertical business linkages) and between operators working at the same stage (horizontal collaboration). Strengthening vertical business linkages serves several purposes: To link small enterprises to higher-value markets by brokering contracts with domestic or international buyers and to improve the efficiency of the chain by reducing costs of contract supervision as well as information gathering thanks to a better trust between business partners.

Facilitators have to carefully reflect on their role and only go ahead if:

- » the support to contracting facilitates market entry of all interested suppliers, so as not to distort the market
- » pilot contracts can serve as a model for others and if it can be replicated easily
- » the external support is essential for opening up new markets, thus being a learning case that can be multiplied and continued without assistance later on

Additionally, strengthening producer groups or associations of farmers and small enterprises is a key intervention to ensure that chain up-grading delivers pro-poor effects. As producer groups evolve into larger associations, they become less dependent on a single buyer, and get better chances of negotiating terms and taking up value adding activities themselves.



## Module 6: Engaging in Public Private Partnerships

Global integration is increasingly taking place through structured exchange relations. Traditional arms-length trade, where producers sell spontaneously to unknown buyers, is clearly diminishing. Most trade is now based on coordinated forms where one or more actors in the value chain have the capacity to define quantities, product and process standards, terms of delivery and the like as preconditions their trading partners have to fulfil. Therefore it is important to understand how these relationships are coordinated, what the rules of the game are, who takes the relevant decisions and what these imply for the distribution of rents and the inclusion or exclusion of subordinate trading partners. In developing countries, exporters to the OECD were the first to be confronted with these changes. Recently, however, the new sourcing patterns start to penetrate even their domestic markets. The question is thus not *if*, but *how* to integrate in value chains in a way that allows for incorporation of a growing number of the workforce and increasing levels of productivity and incomes. This calls for a balanced approach which takes both competitiveness and equity issues into account.

Engaging with international and local buyers in Public Private Partnerships has been the driving force in many value chain development initiatives. Many foreign companies and also larger local ones are undertaking tremendous efforts to improve the competitiveness of their local suppliers. They are interested in building long term trading relationships with their suppliers in order to serve both the local and export markets. In order to achieve this they are willing to invest significantly in cash and in kind in improving the competitiveness of their local suppliers so that they can fulfil their requirements. These supplier upgrading initiatives are often taking place without the active involvement and support of third parties. But increasingly, donor funded projects and their local partners are joining hands with private partner companies in these initiatives. This is because they see a public benefit in engaging in these partnerships and helping to set them up and facilitate them. Setting up Public Private Partnerships can thus be an ideal vehicle in many value chain initiatives, as it increases the leverage of the interventions.



## **Module 7: Strengthening services in value chains**

The tasks of value chain facilitators here is to understand the services that the different value chain actors require in order to improve their competitiveness. Understanding the different service delivery modes is a key aspect of this task, as well as analysing the problems that currently shape the service market. All this is the basis for finally engaging in activities that strengthen the service provision within a selected value chain. Again, understanding the underlying constraints why service markets are not functioning is more important than rushing into quick conclusions and building the wrong interventions that might achieve some help to a selected pilot group in the short run but hinders the development of a service market that would help the whole sector in the long run.

In this regard, the two key questions are: Who pays for the service, and who delivers and how? This is why we distinguish between two modes of delivering services: embedded vs. externally contracted.

The main challenge for facilitators in building sustainable service markets is to improve the service quality and availability to poorer operators while maintaining the financial viability of service provider. Additionally, it is important not to crowd out private service providers through a heavily subsidy driven approach.



## **Module 9: Introducing quality, social and environmental standards**

Besides quality criteria, social and environmental standards are becoming ever more important within value chains. While many critics argue that the introduction of these standards has a tremendous cost and thus puts a heavy burden on local value chain actors, our underlying hypothesis is that the implementation of social and environmental standards helps to increase the competitiveness of local actors. This is because although complying with standards has a cost, the benefits outweigh them:

- » Improvements in the quality of the product or service mean higher sales, often at higher prices
- » Better management of resources means less costs
- » Higher motivation of staff means higher productivity
- » Less accidents means higher productivity
- » Better image means better access to markets and stable trading relations
- » Less environmental damage means sustainability of the business

Additionally, introducing environmental and social standards contributes to sustainable development as they contribute to economic growth through improved competitiveness, improved working conditions for (often) poor workers and help to better take care of natural resources. All this is reason enough for German development cooperation to assist its partners in the carrying out standards initiatives. If implemented successfully, standards can practically demonstrate that the objectives of economic development, social equity and a sound environment really can be complementary, and do not necessarily stand in conflict as often presumed. Their successful implementation requires, as mentioned in the GTZ guidelines for sustainable development, a permanent search, negotiation and learning process to find viable models for balancing interests.

Last but not least, social and environmental standards are an ideal vehicle to promote the adaptation of the German model, the social and ecological market economy, by our partner countries. Over the past years, many developing countries have paid more and more attention to

achieving a more sustainable development, not only economic growth. Policies are in place reflecting the ideas of the agenda 21. Supporting the development and implementation of social and environmental standards is a perfect tool to contributing to these goals.



## **Module 10: Improving the business environment of value chains**

Whether existing companies or persons who want to set up their own company are able to realize their market potential depends to a large extent on the general business and investment climate in the country and region as well as value chain specific framework conditions. Identifying these issues is part of the value chain analysis.

General business and investment climate issues are, amongst others, macro-economic policies and conditions, laws and regulations, contract security and enforcement, infrastructure like telecommunications, electricity, roads, ports as well as general education and training institutions.

Sector-specific framework conditions are sector-specific laws and regulations, the existence (or absence) of specific services, problems of market failure like information asymmetry as well as sector-specific education and training institutions. Unlike development strategies that promote a conducive business and investment climate in general, chain promotion means working on the specific business environment of the value chain in question.

Again, public-private cooperation can be an essential tool for improving the sector specific business climate. Local private enterprises, multinationals or business member organizations can make national or local governments aware of what favorable investment conditions mean and what the obstacles to their development are. Public Private Dialogue is the right vehicle to achieve this.

As the quality of the dialogue initially is often poor, external moderators can use facilitation techniques to make meetings and conferences livelier, more participatory and more productive. Besides government and the value chain operators, there are important other groups that the facilitator should - under certain circumstances - incorporate into the dialogue: Mobilizing and promoting civil society organizations like environmental groups or consumer rights activists can have a direct influence on the behavior of stakeholders in the value chain, making them improve their current behavior and performance.



## **Module 11: Monitoring and impact measurement**

Value chain development initiatives where donor and local governments are engaged use tax payers' money. This is why they need to make sure that their money is well spent. Measuring the impact of the initiatives therefore becomes a fundamental part of any value chain upgrading initiative.

In order to measure impact, sound baseline information of the current economic, social and environmental situation of the value chain and its specific chain operators is crucial. Additionally, formulating impact hypothesis at the beginning of the facilitation process is important, as this will give guidance on where to look for improvements, as they can be manifold.

For a long time, quality assurance within technical assistance projects was oriented heavily on the quality of the inputs provided, or in other words, on "the quality at entry". As such, many projects and interventions implemented by GTZ and its local partners were designed, implemented and monitored with this focus being the bedrock. The success of the projects was

measured mostly in terms of the number of consultant days contributed, training courses organized, participants in workshop or other types of inputs (with much emphasis laid on the quantitative aspects). This approach failed to bring about the best desirable results and, in many cases, sent the wrong messages to project managers as well as partners. As a result, the effectiveness and impact of the projects were limited.

Lately, a decisive shift towards results based management and measuring impact was undertaken. Nevertheless, it still remains a challenge to facilitators to identify the right mix of interventions that produce really tangible and measurable impact. Therefore, it helps if the impact monitoring system is used and managed as a knowledge management instrument, where learning of project staff and partners is the key aspect. This focus on learning from successes and failures of interventions and trying to continuously improve intervention strategies is what a good impact monitoring system and the “quality at exit” approach is all about.

#### **4. Recommendations for further developing the value chain approach in the Philippines and enhancing Public Private Partnerships**

The evaluation of the facilitator training conducted after each day and a more in-depths evaluation at the end of the training showed a very positive result. It can be expected that in the aftermath of the training, an intensified attempt by the projects will be undertaken in order to put the value chain development initiatives of the different projects on the right track. Here, the envisaged “value chain yahoo group” is a good vehicle to promote sharing experiences and lessons learnt amongst the practitioners. Additionally to this, the value chain core group should provide further guidance to the newly trained partners through coaching and regular meetings. The core group should also intensify its networking within the sector networks in Asia as well as with the *ValueLinks* network which is being coordinated by GTZ headquarters in order to stay on track with the latest developments, approaches and lessons learnt.

On the other hand, the Expert’s roundtable on Value Chains and Competitiveness demonstrated that there is a clear interest by the stakeholders at national level to working with GTZ as a committed partner. As the value chain concept and the GTZ approach were very well received by the participants, a good opportunity now exists for GTZ to apply the value chain approach in the focus sectors of the PPP Task Force on Globally-competitive Philippines Services industries. As mentioned above, it is the opinion of the author of this report that it would be very worth while for GTZ to consider applying the value chain approach in the focus sectors of the PPP Task Force. Its role could be limited to supporting further Public Private Dialogue in the three key service industries and assist in further breaking down the already elaborated visions into practical strategies and operational plans. In the IT sector, the facilitation role to implement the operational plans in cooperation with other public and private stakeholders involved could be left to the rather strong business associations already involved in the initiative, such as the European Chamber of Commerce of the Philippines and the Business Process Association of the Philippines. In other sectors it would be opportune to have a tandem of a private champion in the form of a chamber together with a public champion representing the government to act as facilitators. Again, GTZ’s role could be limited to supporting the champions in their role as facilitators, by

- » further applying the already well established forms of Public Private Dialogue
- » introducing tools to improve the business and investment climate in general and in the respective service industries in particular, and
- » helping to set up Public Private Partnerships through the PPP facility in these sectors.

Thus, with a rather limited effort in terms of budget, GTZ Philippines could be a catalyst partner in these modern and important sectors of the Philippine economy, while putting the majority of its resources in the more remote focus regions of the Philippine German Technical Cooperation.

Regarding the regional focus area of the GTZ portfolio in the Philippines, GTZ could play a leading role within the donor community by attempting to pool resources of different donors and combining the value chain approach with the PPP approach.

The PPP team of GTZ headquarters is currently elaborating new strategies on how to further develop the PPP instrument by enhancing the local governments to become the public partner in the projects. Currently, in almost all public private partnership initiatives by GTZ and other donors, the donor still plays the role of the public intermediary, but is seen as a crucial step to build capacities within the partner countries so that they can take over the public role in these partnerships in the future.

The World Bank has been trying to do this in Colombia, and is currently setting up a similar project in Vietnam. In its Rural Productive Partnership project together with the Ministry of Agriculture in Colombia, it is building up the capacity of the Ministry to run a facility where the national government finances part of what it calls productive partnerships between farmers, their cooperatives and agribusinesses through public support provided on the basis of competitive and transparent procedures. The public side, in this case the national government, is putting money into these partnerships as it sees a clear public benefit. It is the opinion of the author of this report who happens to be part of the project appraisal team of the World Bank in Vietnam that the concept could be further improved and applied elsewhere by taking a more profound value chain upgrading approach compared to the productive partnerships model. By doing this, the public benefit of these productive partnerships could be further increased, making it even more worth while for the local counterpart to invest in the program.

In a meeting with the author of this report, the ADB has shown a clear interest in the GTZ value chain approach in the region. GTZ Philippines could thus try to play a leading role in bringing together different donors in order to pool money into a "value chain upgrading facility", maybe with a special regional focus in Mindanao as it is a focus region for many donors. In this case, GTZ could provide technical assistance and capacity building for the government who would need to be capacitated to run such a facility with competitive and transparent. Considering the rather strong business association sector in the Philippines, an institutional mechanism could be envisaged where, besides the government, a business association acts as tandem partner for the government to implement the "value chain upgrading facility".

## 5. Annexes

### 5.1. TOR

#### TERMS OF REFERENCE

##### *Facilitation of Value Chain Promotion Events*

**Background and Purpose:** The Value Chain Approach is one of GTZ Philippines' centerpiece in supporting the country's efforts to increase its national competitiveness. Four programs/projects, namely ENRD, SMEDSEP, Trade Promotion and BIMP-EAGA are currently engaged in value chain promotion in selected sub-sectors in the country. The VC approach also augurs well with the forthcoming GTZ project which will support the National Competitiveness Council (NCC).

Through the four projects mentioned above, GTZ Philippines aims to develop a core of VC facilitators in the country who will guide and handle the application of the VC approach in various sub-sectors, e.g. agribusiness, tourism and services. Initially, two groups of facilitators underwent VC Facilitators' Training in Nepal in late 2005 and early 2007, respectively. It was agreed that conducting a VC Facilitators' Training in the Philippines and using cases based on the country's very own sub-sectors will be very beneficial.

In order to institutionalize the adaptation of the VC approach in promoting priority sub-sectors in the country, the involvement of policy makers at the national level will be very valuable. As a start, this can be embodied by the NCC which is composed of both private and public sector members.

A Round Table Meeting with the members of the NCC will also be conducted in conjunction with the VC Facilitators' Training. Both events will be held in September 2007 in Manila, Philippines. The Policy Makers' Round Table Meeting will be held on September 13 (half day), and the Facilitators' Training on September 17-21.

It was agreed that an international expert in value chain with extensive experience in value chain promotion will be engaged by GTZ Philippines to facilitate the 2 events. He will be supported by 2 national experts from Nepal.

**Objectives of the Assignment:**

The international consultant is expected to:

- Support the GTZ Philippines efforts to mainstream the VC approach among partner agencies/organizations by facilitating 2 major events in VC promotion, with the end-in-view of creating an environment for sustainable/continuous improvement of priority sub-sectors in the country;
- Ensure the effective transfer of knowledge/skills on VC approach to participants by coming up with a practical training

- design;
- Develop GTZ Philippines local capacity by providing advise and coaching during the course of designing and conducting the training/meeting.

***Scope of Work:***

- Serve as the main facilitator for the Policy Makers' Roundtable Meeting and the VC Promotion Facilitators' Training, the latter will be in collaboration with co-facilitators from Nepal and GTZ Philippines staff;
- Design the training methodology for the Facilitators' Training and discuss for agreement with GTZ Philippines represented by ENRD, SMEDSEP, Trade Promotion and BIMP-EAGA. The training design should elaborate the specific objectives initially identified by GTZ Philippines for the participants who are expected to perform the following tasks as VC approach facilitators:
  - 1) Facilitate the process of selecting appropriate sub-sectors for VC approach application;
  - 2) Coordinate the conduct of VC analysis
  - 3) Facilitate the implementation of support activities
  - 4) Coordinate the M&E system to determine possible impacts of the VC application
- In collaboration with GTZ Philippines, design a meeting methodology for the Policy Makers' Round Table discussion leading towards creating a mechanism to institutionalize the VC approach at the national level;
- Provide technical advise to GTZ Philippines in matters related to applying VC approach as the need arise during the contract period;
- Propose a strategy to further institutionalize/mainstream the VC approach in the Philippines.

***Timetable:***

**17 man-days**, with the following breakdown:

**4 days**, for the design of the Facilitators' Training and for the methodology of the Policy Makers' Roundtable Meeting in consultation through email with GTZ Phils and Nepal

**3 days**, meetings/consultations with GTZ Phils and GTZ Nepal

**1 day**, for the moderation of Policy Makers' Round Table Meeting

**5 days**, for the facilitation of the Facilitators' Training

**2 days**, for travel

**2 days**, post-activity report writing

**Proposed Schedule:**

**Aug 15-Sept 9** (intermittent) – Develop training design in consultation with GTZ Phils and GTZ Nepal staff by email

**Sep 10** – Travel to Manila

**Sep 11-12** – meetings with GTZ VC Core team to discuss the design and methodology for the Policy Makers' Roundtable Meeting and VC

Approach Facilitators' Training

**Sept 13** – Policy Makers' Round Table Meeting

**Sept 14** – Final Revise and discuss design with GTZ Phils and Nepal

**Sept 17-21** - Conduct the VC Facilitators' Training

**Sept 22** – Travel to base

**Sept 24-25** – Post activity report writing

**Sept 26** – Submit report

***Expected  
Outputs:***

- Meeting methodology and moderation of the Policy Makers Round-table Meeting;
- Training design and implementation of the VC Facilitators' Training;
- Post activity report.

***Further Notes on GTZ  
Nepal Participation:***

- Provide comments on the training design by email during the preparatory stage;
- Participate in the final preparatory meeting on September 14;
- Serve as co-facilitators during the VC Facilitators' Training on Sept 17-21 (Note: Members of the GTZ Phils VC Core Team will also serve as co-facilitators depending on the number of sub-sectors);
- Following the training design, facilitate sub-group workshops according to pre-determined sub-sector cases;
- Provide evaluation of the training conducted for possible improvement.
- Duration of participation – from September 14 to 21, 2007
- GTZ Nepal will charge to GTZ Philippines the costs of participation by the 2 GTZ Nepal colleagues. The costs involved are travel, accommodation, and per diem.

## 5.2. Agenda Expert's roundtable on Value Chains and Competitiveness

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**PPP Taskforce  
Experts' Roundtable on  
Value Chain and Competitiveness**

September 14, 2007  
10:00 am to 1:00 pm  
Dasmariñas Room  
Intercontinental Hotel  
(Makati City)

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### Programme

- 10:00     **Introduction**  
          Ms. Anja Gomm, GTZ
- 10:10     **Welcome Remarks**  
          Hon. Amb. Cesar B. Bautista, Co-chair PPP Task Force

10:20     **Roundtable Discussion**

Topics for Moderated Discussion	Lead Discussant
Value Chain as a systematic approach for enhancing competitiveness	Dr. Peter Richter
International Experience on Fostering Competitiveness through the Value Chain Approach	Mr. Thomas Finkel
Value Chain in Service Industries: Is it applicable?	Ms. Anja Gomm
Philippine Priority Service Industries (EO 372): Key Challenges and Strategies	Amb. Cesar B. Bautista
Identifying areas for possible contribution	Dr. Peter Richter

12:00     **Summary of Main Points**

12:15     **Lunch**

Moderator:  
Dr. Peter Richter, GTZ

### 5.3. Program Training of the *ValueLinks* Facilitators Training

*Program of the ValueLinks Facilitators Training / Monday*

	<b>Day 1 – 17 September 2007</b>	<b>Learning objectives</b>
<p><b>Morning</b></p> <p><b>8:30 - 12:30</b></p>	<p><b>Welcome and introduction of participants, trainers and the program</b></p> <p>Presentation: <b>Applying the VC approach for fostering sustainable development (TF)</b></p> <p>Group discussion: <b>The VC approach in the Philippine economic development context</b></p> <p>Presentation: <b>Selecting value chains for promotion (GB)</b></p> <p>Group formation: <b>Working groups on 4 or 5 different value chains</b></p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> opportunities of applying the VC approach</li> <li><input checked="" type="checkbox"/> relevance of the VC approach for pro-poor growth</li> <li><input checked="" type="checkbox"/> significance for applying the approach in the Philippine and the own project or institutional context</li> <li><input checked="" type="checkbox"/> criteria and methods of selecting VC to be promoted</li> <li><input checked="" type="checkbox"/> judge the potential impact of different VC options</li> </ul>
<p><b>After-noon</b></p> <p><b>13:30 - 17:30</b></p>	<p>Presentation: <b>Chain mapping and other tools for chain analysis (GB)</b></p> <p>Case study: <b>Value chain maps of different products in different countries (UP)</b></p> <p>Group exercise: <b>Mapping the selected value chains of the groups</b></p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> objectives of chain mapping and other tools</li> <li><input checked="" type="checkbox"/> the process of mapping value chains</li> <li><input checked="" type="checkbox"/> different type of maps and their content</li> <li><input checked="" type="checkbox"/> potentials and limitations of chain mapping and other tools</li> <li><input checked="" type="checkbox"/> getting started and building the basis for the VC approach</li> <li><input checked="" type="checkbox"/> overview and good understanding of the specific economic and institutional reality of the selected chains</li> <li><input checked="" type="checkbox"/> quantification and economic analysis of the chains</li> </ul>

*Program of the ValueLinks Facilitators Training / Tuesday*

	<b>Day 2 – 18 September 2007</b>	<b>Learning objectives</b>
<p><b>Morning</b> 8:30 - 12:30</p>	<p>Presentation: <b>Determining the upgrading strategy (TF)</b></p> <p>Case study: <b>Upgrading Lokta value chain in Nepal (GB)</b></p> <p>Group exercise: <b>Building the basis of the upgrading strategy</b></p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> vision and strategy of VC upgrading initiatives</li> <li><input checked="" type="checkbox"/> analysis of constraints and setting of objectives</li> <li><input checked="" type="checkbox"/> anticipating the impact of VC upgrading</li>   <li><input checked="" type="checkbox"/> considering different strategy options and building consensus</li> </ul>
<p><b>After-noon</b> 13:30 - 17:30</p>	<p>Presentation: <b>Facilitating value chain promotion (UP)</b></p> <p>Case study: <b>Experiences from Nepal (GB/UP) and Vietnam (TF)</b></p> <p>Group discussion: <b>Best ways to facilitate VC promotion initiatives in the Philippine economic and project/ institutional context of the participants</b></p> <p>Presentation: <b>A critical view on value chain upgrading initiatives – lessons learnt from GTZ programs in the region (TF)</b></p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> roles and responsibilities of different actors</li> <li><input checked="" type="checkbox"/> designing the upgrading process and promotion project</li>   <li><input checked="" type="checkbox"/> lessons learnt from project experiences</li> <li><input checked="" type="checkbox"/> building core groups and other forms of collective action</li>   <li><input checked="" type="checkbox"/> strengths and weaknesses of different facilitation options</li> <li><input checked="" type="checkbox"/> sustainability of different facilitation processes in the Philippine economic and project/ institutional context</li>   <li><input checked="" type="checkbox"/> avoiding mistakes in VC upgrading initiatives and overcoming potential weaknesses of the approach</li> </ul>

*Program of the ValueLinks Facilitators Training / Wednesday*

	<b>Day 3 – 19 September 2007</b>	<b>Learning objectives</b>
<p><b>Morning</b></p> <p><b>8:30</b></p> <p>-</p> <p><b>12:30</b></p>	<p>Presentation: <b>Strengthening horizontal and vertical business linkages (TF)</b></p> <p>Case study: <b>The orthodox tea value chain in Nepal (GB)</b></p> <p>Group exercise: <b>Making use of lead firms and identifying common goals</b></p> <p>Group work: <b>Preparation for the field trip</b></p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> brokering vertical business linkages</li> <li><input checked="" type="checkbox"/> fostering horizontal collaboration</li> <li><input checked="" type="checkbox"/> business match making</li>   <li><input checked="" type="checkbox"/> shared objectives between companies, development agencies and governments</li> <li><input checked="" type="checkbox"/> types of contributions of lead firms</li> </ul>
<p><b>After-noon</b></p> <p><b>13:30</b></p> <p>-</p> <p><b>17:30</b></p>	<p>Field trip to companies in the following sectors:</p> <ul style="list-style-type: none"> <li>- <b>furniture</b></li> <li>- <b>tourism</b></li> <li>- <b>aquaculture</b></li> <li>- <b>meat processing</b></li> <li>- <b>abaca</b></li> </ul>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> applying parts of the <i>Valuelinks</i> methodology in practice</li> <li><input checked="" type="checkbox"/> collect further input for the value chain analysis for the different sectors</li> <li><input checked="" type="checkbox"/> get a reality check for the upgrading potential</li> <li><input checked="" type="checkbox"/></li> </ul>

*Program of the ValueLinks Facilitators Training / Thursday*

	<b>Day 4 – 20 September 2007</b>	<b>Learning objectives</b>
<p><b>Morning</b></p> <p><b>8:30</b> - <b>12:30</b></p>	<p>Penal discussion: <b>Feed back from the field trip</b></p> <p>Presentation: <b>Strengthening services in value chains (GB)</b></p> <p>Case study: <b>Improvements of service provision in the Nepalese value chains (UP) and introducing social, ecological and quality standards (TF)</b></p> <p>Group exercise: <b>The service market situation in the selected value chains and ways to improve it</b></p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Categories of services and concepts for market development</li> <li><input checked="" type="checkbox"/> Roles and responsibilities of different actors</li> <li><input checked="" type="checkbox"/> Strengthening private service markets and arrangements</li> <li><input checked="" type="checkbox"/> Improving the responsiveness of public service providers</li> <li><input checked="" type="checkbox"/> Standards as part of upgrading strategies</li> <li><input checked="" type="checkbox"/> Pro-poor aspects of social and environmental standards</li> <li><input checked="" type="checkbox"/> Facilitating standard initiatives</li>   <li><input checked="" type="checkbox"/> Assessing service needs in view of upgrading objectives</li> <li><input checked="" type="checkbox"/> Designing strategies to improve service provision</li> </ul>
<p><b>After-noon</b></p> <p><b>13:30</b> - <b>17:30</b></p>	<p>Presentation: <b>Public private Partnerships within VC promotion initiatives (TF)</b></p> <p>Group exercise: <b>Design a PPP for the selected value chain upgrading initiative</b></p> <p>Group discussion: <b>First steps to define a PPP strategy for the Philippine value chain initiatives</b></p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> tools and procedures to initiate PPP projects</li> <li><input checked="" type="checkbox"/> best practices of PPP within VC promotion</li> <li><input checked="" type="checkbox"/> company categories as potential partners for value chain upgrading initiatives</li>   <li><input checked="" type="checkbox"/> lessons learnt with PPP in the Philippines</li> <li><input checked="" type="checkbox"/> potential of PPP within the Philippine economic and project/ institutional context</li> <li><input checked="" type="checkbox"/> getting started with initiating partnerships</li> </ul>

5.1.1.1.1 Program of the ValueLinks Facilitators Training / Friday

	Day 5 – 21 September 2007	Learning objectives
<p><b>Morning</b></p> <p><b>8:30</b></p> <p>-</p> <p><b>12:30</b></p>	<p>Presentation: <b>Improving the business environment of value chains (TF)</b></p> <p>Case study: <b>Experiences from Sri Lanka (Peter R.) and Nepal (GB/UP)</b></p> <p>Group exercise: <b>Analyzing value chain specific business environment constraints and how to overcome them</b></p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> General aspects of the business enabling environment</li> <li><input checked="" type="checkbox"/> Tools to improve the business and investment climate</li> <li><input checked="" type="checkbox"/> The role of facilitators in improving the business environment for value chain development</li> <li><input checked="" type="checkbox"/> Making markets work better for the poor concept</li> <li><input checked="" type="checkbox"/> Fostering coherent value chain policies</li> <li><input checked="" type="checkbox"/> Designing and facilitating multi-level and multi-stakeholder approaches</li> </ul>
<p><b>After-noon</b></p> <p><b>13:30</b></p> <p>-</p> <p><b>17:30</b></p>	<p>Presentation: <b>Measuring and monitoring the impact of value chain initiatives (UP)</b></p> <p>Group exercise: <b>Designing impact chains and defining indicators for the selected value chains</b></p> <p>Group discussion with Philippine-GTZ project management: <b>Medium term outlook and next steps of value chain promotion initiatives</b></p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Formulating impact hypothesis of value chain promotion</li> <li><input checked="" type="checkbox"/> Verifying the impact hypothesis</li> <li><input checked="" type="checkbox"/> Typical indicators of value chain initiatives</li> <li><input checked="" type="checkbox"/> How to set up and run monitoring systems</li> <li><input checked="" type="checkbox"/> Institutionalizing value chain initiatives</li> <li><input checked="" type="checkbox"/> PPP strategy for value chain initiatives</li> <li><input checked="" type="checkbox"/> Capacity building for partner institutions</li> <li><input checked="" type="checkbox"/> Coaching and backstopping needs of facilitators</li> </ul>

GB: GB Banjara  
 TF: Thomas Finkel  
 UP: Ujjwal Pokhrel

