



International  
Labour  
Organization

# Value Chain Development for more and better jobs

## Making value chains work for small business

A value chain consists of the activities needed to bring a product from the initial idea and conception to its final market. These activities include design, production, marketing, distribution and support services, up to the final consumer (and often beyond, when recycling processes are taken into account).

Micro and small enterprises are frequently held back by poor access to markets, finance and other business services. At the same time these smaller enterprises are the ones creating most new employment. Especially in low-income countries, they suffer from a limited understanding of markets, have weak bargaining power and lack adequate knowledge of managing finances. Unable to harness the potential of their value chain to expand and improve their own competitiveness, they often operate on a precarious basis, with low productivity and poor working conditions. Increasingly, environmental unsustainability is emerging as a constraint over which Small and Medium sized Enterprises (SMEs) have little control.

The commitment of the ILO to decent work for all, lies at the heart of its approach to value chain development, which is designed to strengthen the ability of enterprises to identify and exploit market opportunities that can also generate employment. In tackling the key underlying constraints that stop businesses from achieving their full potential, the ILO aims to create more and better jobs that will contribute to economic development and poverty reduction.

## The ILO approach to value chain development

### Case study – Agriculture in Sri Lanka

Value chain development in Sri Lanka targeted five agriculture related sectors - fruit and vegetables, ornamental fish, floriculture, dairy and tourism – in four districts.

The project had an estimated final impact on over 50,000 enterprises and increased employment by 15%, read more overleaf.

The ILO approach focuses on improving value chains that offer opportunities to generate wealth, create jobs, and enhance job quality. After identifying sub-sectors and value chains with employment potential, the ILO looks at how products get to the final consumer, the market dynamics, and relationships between the different actors in the chain. The aim is to strengthen whole market systems - enterprises, business relationships, financial networks, supporting functions, rules and norms and the business environment – in a way that ensures greater benefits for the poor from economic growth and development.

As of 2014, the ILO was involved in 20 Value Chain Development projects in 15 countries in Africa, Latin America and Asia, covering a wide range of sectors - from high-value crops to agro-processing, from wood furniture to construction materials, from creative industries to tourism, and from local markets to the supply and distribution chains of large multinational companies.

## The ILO in action: promoting holistic solutions focused on jobs

### Knowledge creation for market systems

**development:** A new project starting in 2014 called *Market Systems Development for Decent Work* - The Lab is exploring how to make VCD more effective for job creation and job quality improvements. It is exploring ways to better measure and maximize the employment impact in value chains by developing new methodologies, tools and learning products aimed at practitioners. More information here: [www.ilo.org/thelab](http://www.ilo.org/thelab)

The ILO's value and supply chain development interventions address systems and institutions that drive competitiveness and the creation of quality jobs in specific sectors. The tools build on private sector development strategies, using a "light touch" approach with the ILO acting as a facilitator rather than intervening directly. The ILO provides technical support, coordination, networking and information, focused on helping existing market systems to perform better rather than distorting them. The ILO approach is designed to stimulate dialogue, strengthen ownership and develop the capacity of small businesses to upgrade their role and voice in the value chain, thereby improving working conditions, income generation and employment opportunities. Furthermore environmental sustainability concerns and resource use are becoming key in how the ILO looks at market systems by identifying environmental "hot spots".

## ILO Value Chain Development process

Steps	Tools and publications
1. Sector selection: selecting those sub-sectors with the best potential for job creation or improvement of working conditions	<i>Value Chain Development for Decent work: A guide for development practitioners, governments and private sector initiatives</i> <i>Improving Working Conditions through Value Chain Development: ILO Value Chain Development Briefing paper 3</i>
2. Analysing value chains to assess economic potential and market opportunities, identify underlying constraints and addressing employment-related issues	<i>Value Chain Development for Decent work: A guide for development practitioners, governments and private sector initiatives.</i> <a href="http://www.ilo.org/empent/areas/value-chain-development-vcd/WCMS_115490/lang--en/index.htm">www.ilo.org/empent/areas/value-chain-development-vcd/WCMS_115490/lang--en/index.htm</a> <i>Making the Strongest Links: A practical guide to mainstreaming gender analysis in value chain development (2009).</i> <a href="http://www.ilo.org/empent/Publications/WCMS_106538/lang--en/index.htm">www.ilo.org/empent/Publications/WCMS_106538/lang--en/index.htm</a>
3. Facilitating dialogue with government organizations, private enterprises, workers' representatives and other actors to develop intervention models in collaboration with all stakeholders in the value chain from production to consumption.	<i>An operational guide to local value chain development.</i> <a href="http://www.ilo.org/empent/areas/value-chain-development-vcd/WCMS_101319/lang--en/index.htm">http://www.ilo.org/empent/areas/value-chain-development-vcd/WCMS_101319/lang--en/index.htm</a>
4. Developing effective Business Models for private enterprises and service providers and equipping public partners with the tools and know-how to support value chain upgrading	<i>For example through distance and in person training in collaboration with the International Training Centre of the ILO in Turin:</i> <i>Distance learning:</i> <a href="http://marketdev.itcilo.org/">http://marketdev.itcilo.org/</a> <i>Tailor made courses adaptable to local contexts:</i> <a href="http://www.ilo.org/empent/Eventsandmeetings/WCMS_167956/lang--en/index.htm">http://www.ilo.org/empent/Eventsandmeetings/WCMS_167956/lang--en/index.htm</a> <i>Engaging with financial service providers and other institutions -</i> <a href="http://mmw-dev.itcilo.org">http://mmw-dev.itcilo.org</a>
5. Developing Effective Monitoring and Results Measurement Systems to establish outcomes of value chains development projects	Based on value chain analysis the DCED results measurement standard or its principles are being applied to establish theories of change, results chains and standard indicators. Knowledge creation on the effectiveness of value chain development through a dedicated project: Market Systems Development for Decent Work – The Lab: <a href="http://www.ilo.org/thelab">www.ilo.org/thelab</a>

## The floriculture value chain in Sri Lanka

Enterprise for Pro-poor Growth (Enter-Growth) was a four-year project of the International Labour Organization (ILO), the Swedish International Development Agency (Sida) and the Ministry of Enterprise Development and Investment Promotion in Sri Lanka. Implemented in four districts between 2005 and 2009, the project targeted value chains for fruits and vegetables, flowers, ornamental fish, coir, wood furniture, dairy produce and tourism. The aim was to boost market access for micro and small enterprises, create a friendlier regulatory and legal environment, improve attitudes to entrepreneurship, and increase access to business development services nationwide.

### Achievements of the Enter-Growth project

- A direct impact on the value chains of an estimated 52,000 micro and small enterprises
- An estimated tripling of household income in the targeted districts
- A 15% increase in employment in businesses in the targeted districts.

### Close up of ILO Value Chain Development approach for flower growers

The case of the Sri Lankan floriculture sector demonstrates a more 'systemic' approach to intervening in value chains which was eventually adopted as the ILO's standard approach to Value Chain Development. Despite its high growth potential, the floriculture sector faced a number of challenges and constraints that hampered development. Flower growers did not have information on new technologies and more efficient production methods, nor did they sufficiently understand market requirements. They also had limited bargaining power and as a result were unable to influence prices of inputs such as fertilizers. Exporters, domestic buyers and growers lacked information on export markets and communication between the different actors in the chain was poor. Agreements between growers and buyers tended to be informal, which removed any incentive for buyers to invest in improving grower capacity. High transportation costs due to security checks on the roads and at the airport handicapped both domestic and export markets.

### What did the ILO do?

Using the ILO Value Chain Development approach, Enter-Growth:

- **Facilitated the creation of export and trade channels**  
In collaboration with the Ministry of Export, a new export zone was established to cater for approximately 10,000 existing and potential new flower growers. Growers can import supplies duty free, improve contacts with exporters and more effectively meet their requirements thanks to an export-oriented processing and packaging plant. Nearly 100 growers boosted export earnings from close to zero to between Rs. 500 and 1,000 a week. Meanwhile, flower exports grew by an average of 9% annually over the project period, generating high net foreign exchange earnings for the country.
- **Strengthened business association and promoted technology transfer**

A new Tropical Floriculture Association, with over 100 members, has improved the bargaining power of the flower growers, for instance, by negotiating on their behalf with input suppliers. The Association has also enabled members to share technical knowledge and advice as well as marketing information. Sri Lanka's Export Development Bureau is developing links with technical institutes, with the aim of increasing the transfer of technical knowledge.

- **Enabled access to training, business development and support services**

Awareness programmes for flower growers and exporters have improved understanding of export markets and encouraged growers to move towards meeting export standards. Several banks are introducing loan programmes for small growers, for example, to cultivate flowers in net houses. The Export Development Bureau is also providing training to people interested in starting new businesses in the sector.

Source: The Enter-Growth project – Sri Lanka, Applying a market development lens to an ILO local enterprise development project. Employment Sector, Employment Report No. 11:

Available online here:  
[www.ilo.org/employment/Whatwedo/Publications/employment-reports/WCMS\\_152820/lang--en/index.htm](http://www.ilo.org/employment/Whatwedo/Publications/employment-reports/WCMS_152820/lang--en/index.htm)

## The ILO and Sustainable Enterprises

The ILO Sustainable Enterprise Programme helps create more and better jobs through enterprise development. It connects business growth and competitiveness with the needs of people to make a decent living in a healthy environment - today and in the future. Anchored in the ILO's mission to create decent work for all women and men, this programme is centred on three pillars:

- An enabling environment for enterprises - Creating the right framework that enables businesses to start, grow and create decent jobs;
- Entrepreneurship and business development - Helping entrepreneurs, in particular youth, women and marginalized groups, to start and build successful enterprises;
- Sustainable and responsible workplaces - Demonstrating the link between productivity gains and improved working conditions, good industrial relations and good environmental practices.

The programme combines evidence-based policy development with capacity building and enterprise support services, delivered at the international and country levels, through advisory services and a large portfolio of technical cooperation. It works with governments, employers' and workers' organizations, in partnership with other UN agencies, financial and academic institutions, donors and others.

## Further reading

ILO's guide: Value Chain Development for Decent Work:

[www.ilo.org/empent/areas/value-chain-development-vcd/WCMS\\_115490/lang--en/index.htm](http://www.ilo.org/empent/areas/value-chain-development-vcd/WCMS_115490/lang--en/index.htm)

ILO: Value Chain Development homepage - [www.ilo.org/valuechains](http://www.ilo.org/valuechains)

ILO: The Lab homepage - [www.ilo.org/thelab](http://www.ilo.org/thelab)

ITC/ILO: Distance learning course on value chains and market systems -

[www.itcilo.org/marketdev](http://www.itcilo.org/marketdev)

ILO: Value Chain Finance - [www.itcilo.org/synergies](http://www.itcilo.org/synergies)

ILO Social Finance Programme homepage - [www.ilo.org/socialfinance](http://www.ilo.org/socialfinance)

ITC/ILO: The Summer Academy on Sustainable Enterprise Development -

[www.itcilo.org/enterpriseacademy](http://www.itcilo.org/enterpriseacademy)

DCED: The Donor Committee for Enterprise Development website -

[www.enterprise-development.org](http://www.enterprise-development.org)

DCED VCD Knowledge base - [www.valuechains.org](http://www.valuechains.org)

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