



2009

Value Chain Development for Decent Work

**A guide for development practitioners,
government and private sector
initiatives**

**Matthias L. Herr
Taper J. Muzira
International Labour Office**

Copyright© International Labour Organization 2009

First published 2009

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: pubdroit@ilo.org. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered in the United Kingdom with the Copyright Licensing Agency, 90 Tottenham Court Road, London W1T 4LP [Fax: (+44) (0)20 7631 5500; email: cla@cla.co.uk], in the United States with the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923 [Fax: (+1) (978) 750 4470; email: info@copyright.com] or in other countries with associated Reproduction Rights Organizations, may make photocopies in accordance with the licences issued to them for this purpose.

ILO 2009

Value Chain Development for Decent Work – A practical and conceptual guide, EMP/ENTERPRISE, International Labour Office, Geneva.

ISBN 978-92-2-122230-9 (print)

ISBN (pdf)

Also available in the following languages: ...

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: pubvente@ilo.org. The pdf version of *Developing the Dairy Sector in North-Western and North-Central Provinces: Value Chain Development for more Competitiveness and Decent Work* (ISBN 978-92-2-120876-1) can be downloaded free of charge from www.entergrowth.com.

Printed in Switzerland

PCL

Photocomposed in Switzerland

SCR

Foreword

This is a very comprehensive guide for value chain practitioners. With its focus on decent work, it is distinct from other existing manuals. It is well written and easy to understand, provides numerous practical examples and a number of very illustrative charts.

Tilman Altenburg,
German Development Institute
(Peer reviewer)

This guide has been prepared in the context of the Paris Declaration for AID Effectiveness, which calls for efforts to harmonize aid and increase its effectiveness as well as to achieve development goals on the basis of on national priorities, systems, structures and procedures. Further to this, joint assistance frameworks are strengthening national ownership and government leadership of the development process with cooperating partners aligned in accordance with national priority sectors for broad based job creation and economic growth.

The guide is mindful of the vision and strategy adopted by member states in the 2008 ILO Declaration on Social Justice for a Fair Globalization, reflecting the wide consensus on the need for a strong social dimension to globalization in order to “achieve an improved and fair outcome for all”.

It has been prepared at a time of profound global economic turbulence where governments, employers and workers are particularly concerned about the effects of the crisis on people, on enterprises and employment, on social cohesion and on stability. Promoting employment, social protection, and fundamental principles and rights at work as well as social dialogue through the ILO’s Decent Work Agenda constitutes an effective policy package in response to the current economic crisis.

The “Value Chain Development for Decent Work” guide has been prepared for use in facilitating and promoting growth in priority sectors already agreed in Decent Work Country Programmes that are based on national priorities owned and led by the constituents (Government and its social partners Employers/Business and Workers). Decent Work Country Programmes are part of national development frameworks focusing on national priorities; they are not ILO programmes. The Guide can thus be tailored to specific situations and used by both public and private sector entrepreneurs to facilitate and promote broad based growth in selected sectors. While there may be some good arguments for understanding trade-offs between profitability and social inclusion, this guide highlights the fact that in view of rapid contemporary technological advancements strategic human resources

management is the only true source of sustainable competitive advantage today. It is unique and based on the principle that a workforce that is objectively motivated by better working conditions or Decent Work is simply good business and pivotal to sustaining competitiveness and productivity in any given sector as well as bringing other benefits such as pro-poor or inclusive socio-economic development.

The guide provides a systemic perspective, addressing not only value chain issues in the narrow sense but also important framework conditions, such as the relevance of the duration and cost of customs clearance, tariffs etc. Likewise, it addresses all relevant aspects that donors and other value chain facilitators need to take into account, including the need for institutional reform and its underlying incentive systems; issues of sustainability; the need to upscale project experiences; gender issues; etc. The chapters addressing these issues show that the authors have an excellent overview of good practices in private sector development.

It is worth noting that the focus on markets, e.g. for the provision of business development services, reflects the state of the art in PSD; for example, the authors show the relevance of different sources of service provision (other than public agencies) including private consultants, business associations, NGOs, and embedded services. The guide rightly highlights the need to address *underlying causes* (failure in the performance of market systems) rather than *symptoms* in individual chains. Likewise, the notion of grids of intersecting value chains is closer to reality than common “linear” chain concepts.

The guide also focuses on action research, whereby value chain mapping and research can already contribute to mobilizing stakeholders and seeking solutions on a participatory basis. It provides many helpful details of how to organize stakeholder processes in practice, how to set up a monitoring system, and so forth.

Contents

Prologue: It's the stupid cows!	4
Introduction: What it's all about	4
Chapter 1	
Sector selection for Decent Work	12
Summary sheet: sector selection	13
1.1 Defining sectors as socio-economic system frameworks	15
1.2 Why is sector selection an important decision?	16
1.3 Who selects sectors?	17
1.4 How to select sectors using Decent Work criteria	17
1.5 Further reading on sector selection	19
Chapter 2	
Project setup and initial research & evaluation	22
Summary sheet: project setup and initial research	12
2.1 Setup of a value chain initiative	13
2.1.1 <i>Team building and organization</i>	17
2.1.2 <i>Team workshops and events during the setup phase</i>	22
2.2 Initial research and networking with market players	24
2.3 Identifying core objectives for value chain research (problem definition)	26
2.4 Further reading on project setup and initial research	33
Chapter 3	
Value chain mapping: understanding relationships	44
Summary sheet: value chain mapping	55
3.1 What is a value chain map and why is it useful?	66
3.2 How to map value chains	77
3.2.1 <i>Value chain map as a flow chart</i>	77
3.2.2 <i>Value chain map as a grid chart</i>	88
3.3 Further reading on value chain mapping	99
Chapter 4	
Value chain research: identifying Decent Work deficits	100
Summary sheet: value chain research	100
4.1 What is value chain research?	100

4.2	Developing a framework for value chain research	100
4.3	Focusing on specific Decent Work deficits and markets in value chain systems	120
4.3.1	<i>Social Dialogue in value chain systems: how market players cooperate</i>	130
4.3.2	<i>Working conditions in value chain systems: more than just CSR</i>	140
4.3.3	<i>Value addition in value chains: understanding who gains most</i>	145
4.3.4	<i>Gender equity in value chain systems: understanding the position of women</i>	150
4.3.5	<i>Calculating costs in value chains</i>	155
4.3.6	<i>Lead firms in value chain systems: understanding power relations</i>	158
4.3.7	<i>Business services and value chains</i>	160
4.3.8	<i>Star diagrams: measuring sector performance against buyer requirements</i>	170
4.4	Methodology: Interviews and focus group discussions	180
4.4.1	<i>Interviews</i>	182
4.4.2	<i>Focus group discussions</i>	
4.5	Further reading on value chain research topics	192
	Chapter 5	195
	Value chain analysis: developing a vision for sustainable Decent Work outcomes	
	Summary sheet: value chain analysis and intervention strategies	200
5.1	A framework for finding sustainable upgrading solutions in value chain systems	
5.1.1	<i>Identifying constraints and their underlying systemic causes</i>	204
5.1.2	<i>Identifying incentives of market players and agents of change</i>	210
5.1.3	<i>Formulating a vision and strategy for sustainable systemic change: the intervention framework</i>	210
5.1.4	<i>Defining sustainable outcomes and indicators for monitoring</i>	210
5.1.5	<i>Key reading material on the analytical framework</i>	211
5.2	xxxxxxxxxxxx	211
5.2.1	<i>Case Study: Bringing knowledge and skills to rural vegetable farmers: strengthening embedded services</i>	212
5.2.2	<i>Business membership organizations as “system integrators”</i>	213
5.2.3	<i>Implementing International Labour Standards along the value chain</i>	214
5.2.4	<i>Market requirements and quality standards: preconditions for market access</i>	215
5.3	Documentation and presentation	216
5.4	Further reading on value chain analysis and upgrading strategies for value chain development	217

Chapter 6

Monitoring & evaluation for value chain development

Summary sheet: monitoring and evaluation	230
6.1 Appraisal of interventions	230
6.1.1 <i>Intervention framework (log frame)</i>	232
6.1.2 <i>Assessing the feasibility of interventions</i>	233
6.1.3 <i>Baseline (and periodic) surveys</i>	236
6.1.4 <i>Selecting indicators for monitoring Decent Work impact</i>	240
6.2 Monitoring implementation	242
6.2.1 <i>Monitoring outputs and the implementation activities involved</i>	245
6.2.2 <i>Monitoring outcomes (first signs of impact)</i>	245
6.2.3 <i>Sustainability check</i>	246
6.3 Evaluating VC outcomes and impact	247
6.4 Further reading	248
Annex	249
A1: Format for RVCD Floriculture start-up workshop	250
A2: Example of interview guidelines (Floriculture sector, Sri Lanka)	252
A3: Example of a focus group discussion format (Floriculture sector Sri Lanka)	253
A4: Example of an evaluation workshop format	254

Acknowledgments

The authors appreciate the permissions granted by the ILO's Small Enterprise Programme (EMP/SEED) to distill and synthesize the learning experiences of their projects in developing countries in order to formulate an ILO-specific approach to value chain social and economic development. Our sincere thanks and appreciation goes to many people who have been involved in ILO projects over the past three years in various countries throughout the world for their unwavering support. The guide is mindful and acknowledges the fact that the value chain learning process has not yet come to an end – and probably never will.

The authors are especially grateful to Nikolai Rogovsky and David Lamotte for their assistance and guidance, their valuable feedback and comments on drafts, and their help in coordinating and bringing together relevant resource persons. A word of thanks also goes to Dr. Tilman Altenburg and Merten Sievers, whose reviews and comments have been much appreciated, as well as Julius Mutio for his support in bringing the guide to publication. And then there are of course all the others who have contributed in the background, provided useful information and, through this support, made this guide possible.

This guide on Value Chain Development for Decent Work was written by Matthias Herr and Taperu Muzira, consultants and specialists in value chain development and business development services. It has been published with the financial support of the Swedish International Development Cooperation Agency (Sida).

The views in this guide express the personal opinions of the authors, which are not necessarily those of the ILO, and all references used are accurately reported.

Prologue: It's the stupid cows!

Example: the Colombian leather industry value chain

The following story¹ is told by a monitoring company that worked for the government and private sector leaders in Colombia to study and provide recommendations on how the leather producers of that Andean nation could become more prosperous by exporting to the United States, and how the leather industry could thus create employment and income opportunities for many people in both urban and rural areas of the country:

Retailers and consumers: quality bad, price too high!

We began in New York City to find the buyers of leather handbags from around the world, and we interviewed the representatives of 2,000 retail establishments across the United States. The data were complex but boiled down to one clear message: the prices of Colombian handbags were too high and the quality was too low.

Manufacturers: "No es nuestra culpa!"

We returned to Colombia to ask the manufacturers what lowered their quality and forced them to charge high prices. They told us, "*No es nuestra culpa.*" It is not our fault. They said it was the fault of the local tanneries that supplied them with the hides. The tanneries enjoyed a 15-percent protective tariff levied by the Colombian government, which made the price of competing hides from Argentina too expensive.

Tanneries: it's the mataderos!

We travelled to the rural areas to find the tannery owners. The tanneries pollute the nearby ground and water with harsh chemicals. The owners were happy to answer our questions. "It's not our fault," they explained, "It's the fault of the mataderos, the slaughterhouses. They provide low-quality hide to the tanneries because they can sell the meat from the cow for more money with less effort. They don't care about damaging the hides."

Slaughterhouses: the ranchers don't care!

We went to the camp and found slaughterhouses with cowhands, butchers, and managers wielding stopwatches. We asked them the same questions and they explained that it was not their fault; it was the ranchers' fault. "You see," they said, "the ranchers overbrand their cows to keep the guerrillas? some of whom protect the drug lords from stealing them." The numerous brands destroy the hides.

Ranches: it's the stupid cows!

We finally got to the ranches, far away from the regional capital. We had come to the end of our search because there was no one left to interview. The ranchers spoke rapidly in a local accent. They told us that the problems were not their fault. "*No es nuestra culpa,*" they said. "*Es la culpa de la vaca.*" It's the cows' fault. The cows are stupid, they explained. They rub their hides against the barbed wire to scratch themselves and fend off the flies that bite them.

Are stupid cows the reason why Colombia cannot access the US market?

We had come a long way, banging our laptop computers over washboard-surfaced roads and getting our shoes destroyed with the chemicals in the tanneries and the mud. We had learned that Colombian handbag makers cannot compete for the attractive US market because their cows are dumb.

¹ Quoted from: Michael Fairbanks and Stacey Lindsay (1997): *Plowing the Sea: Nurturing the Hidden Sources of Growth in the Developing World*, Boston, Harvard Business School Press.

Prologue: It's the stupid cows!

The need to understand underlying systemic constraints

The example above provides us with a very useful lesson: in order to understand why the Colombian leather industry is not competitive and does not realize its full potential in terms of job and income creation, we need to look beyond the mere chain of business transactions. Business stakeholders in the value chain will point fingers at each other all too easily: it's always someone else's fault! This has been the experience of many value chain initiatives, and it often leads to deadlock ('If the problem isn't my fault, why should I do anything about it?').

Value chain research and analysis thus needs to go beyond mere finger-pointing and understanding of core transactions within the chain: it needs to identify the underlying systemic causes of bottlenecks in the chain; it needs to understand the nature of relationships between businesses in the chain and other relevant market players; it needs to understand the role of specific market functions and (formal and informal) rules that govern the value chain; and it needs to identify incentives and capacities of market players.

So what should the team have asked instead?

Of course stupid cows are not the reason why the Colombian leather industry is unable to compete on the US market! The team of the monitoring company has spoken to various businesses in the value chain, but so far it has only identified *symptoms* (i.e. lack of quality, high price, lack of awareness, stupid cows, etc.). Consequently, it now needs to understand the *underlying causes* that are preventing the industry from realizing its full potential. Key questions would, for example, be:

- How is knowledge and information passed through the value chain – from retailers to ranchers?
- Who is responsible for providing information?
- Are there any industry mechanisms and organizations that facilitate better coordination between businesses?
- Why do the tanneries need a 15-percent protective tariff from the government?
- In general: which market functions and rules are currently underperforming, thus making the Colombian leather industry unable to compete on the US market?
- And which market player is responsible for performing these market functions? And what prevents this market player from performing better?
- Who else has the incentive to perform a certain market function?

Moving from symptoms to underlying systemic constraints

By asking ourselves these questions, we are moving quickly from symptoms to underlying systemic constraints. Only when these underlying constraints can be solved will the industry find a pathway to sustainable competitiveness.

The approach described in this guide moves away from a mono-dimensional view of value chains, towards a multi-dimensional vision in which a sector a) consists of a grid of multiple value chains – a value chain system, and b) is embedded into a market system consisting of various functions and rules and influenced by various private and public market players. It does so by reflecting in particular on Decent Work issues within the value chains. Poor and disadvantaged groups are always part

Prologue: It's the stupid cows!

of value chains, whether as producers, workers or consumers². The essential question is thus: ***how can we achieve competitiveness while creating new jobs and income opportunities for men and women and promoting better working standards in value chains?***

Decent Work

The authors hope that this guide will give you some ideas on how to address this crucial issue.

² Value Chain Development and Pro-poor Growth: www.itcilo.org/enterpriseacademy or www.itcilo.org/marketdev and on Value Chain Finance www.itcilo.org/mmw and www.Microlinks.org

Introduction:

What it's all about

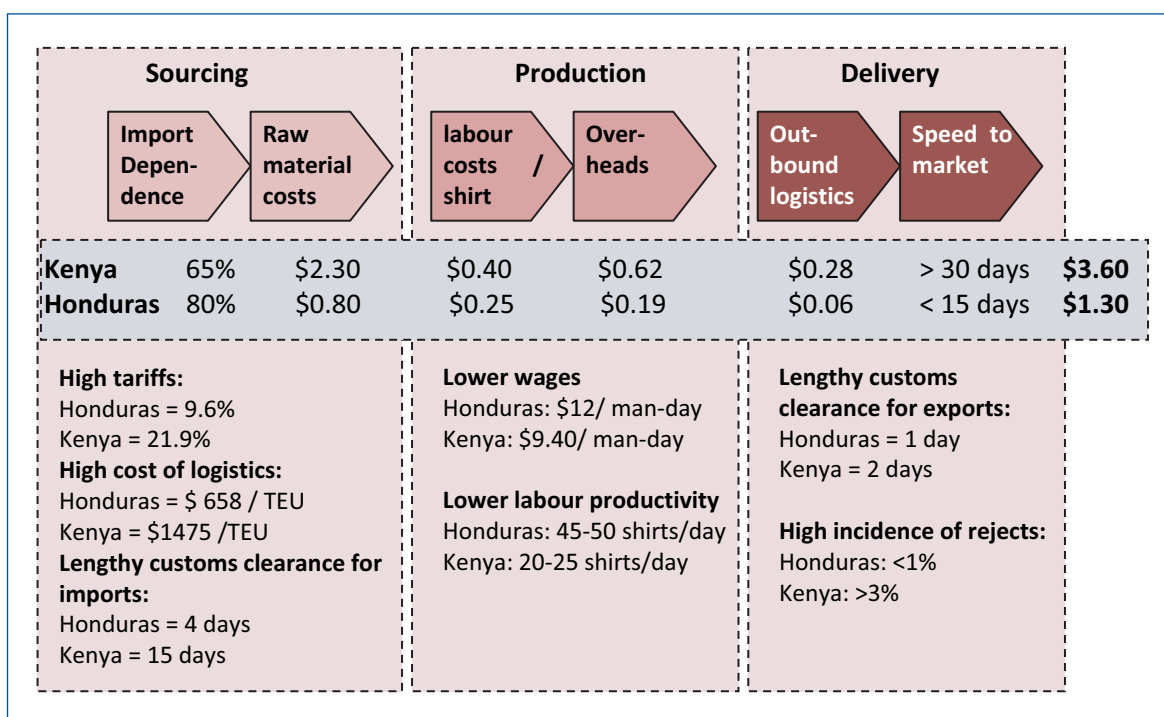
Introduction: What it's all about

Growing competitive pressure and need for better integration

Enterprises of various sizes – ranging from multinational companies to medium, small and micro enterprises – are not only increasingly interconnected, but are also interdependent. Large companies rely on small enterprises either as suppliers of various inputs and preliminary products, or as service providers catering for various needs of production units – such as food and beverages, or as part of their marketing and distribution network for reaching markets, especially in rural areas. If enterprises are increasingly interdependent, so are the jobs and incomes they generate.

At the same time, sectors in emerging markets³ are increasingly finding themselves competing against companies from other countries operating in the same sector – not only for export market shares, but also increasingly for shares on their own domestic markets. Where competition is about price and reducing costs of production, small enterprises and workers/employees are often at the losing end. Small producers find it difficult to meet market requirements because they do not possess the necessary technology and skills – or they do not have access to sufficient market information in the first place.

Box 0.1: Competing T-shirt value chains



Source: Presentation by Uma Subramanian, FIAS, Vienna, to Donor Committee Working Group on Linkages and Value Chains, 2006

³ This guide uses Emerging Markets as a substitute for the term “developing countries”, thus no longer regarding developing countries as the recipients of aid and development programmes, but acknowledging that they are serious players in the market – both as suppliers to global markets, and also as consumers, workers/employees and providers of services.

Introduction: What it's all about

Disconnect between formal and informal economy

The informal nature of many economies in emerging markets poses additional challenges: relations between large companies and small enterprises remain unstable (e.g. due to the lack of contracts and legal enforcement) – leading to high production costs and problems in quality consistency; small enterprises are unable to access many business services such as credits, training and research facilities, government support, etc.; in quality-sensitive sectors such as the food industry, buyers are unable to trace products to their origins; workers and employees in informal enterprises are deprived of their rights for social protection and labour standards. There are many more challenges which indicate the imminent disconnect between formal and informal economy in emerging markets – these are but a few examples.

The **value chain approach** helps multinational companies, governments and their development partners to understand and address these challenges within a market-oriented framework.

Box 0.2: Definition of value chains

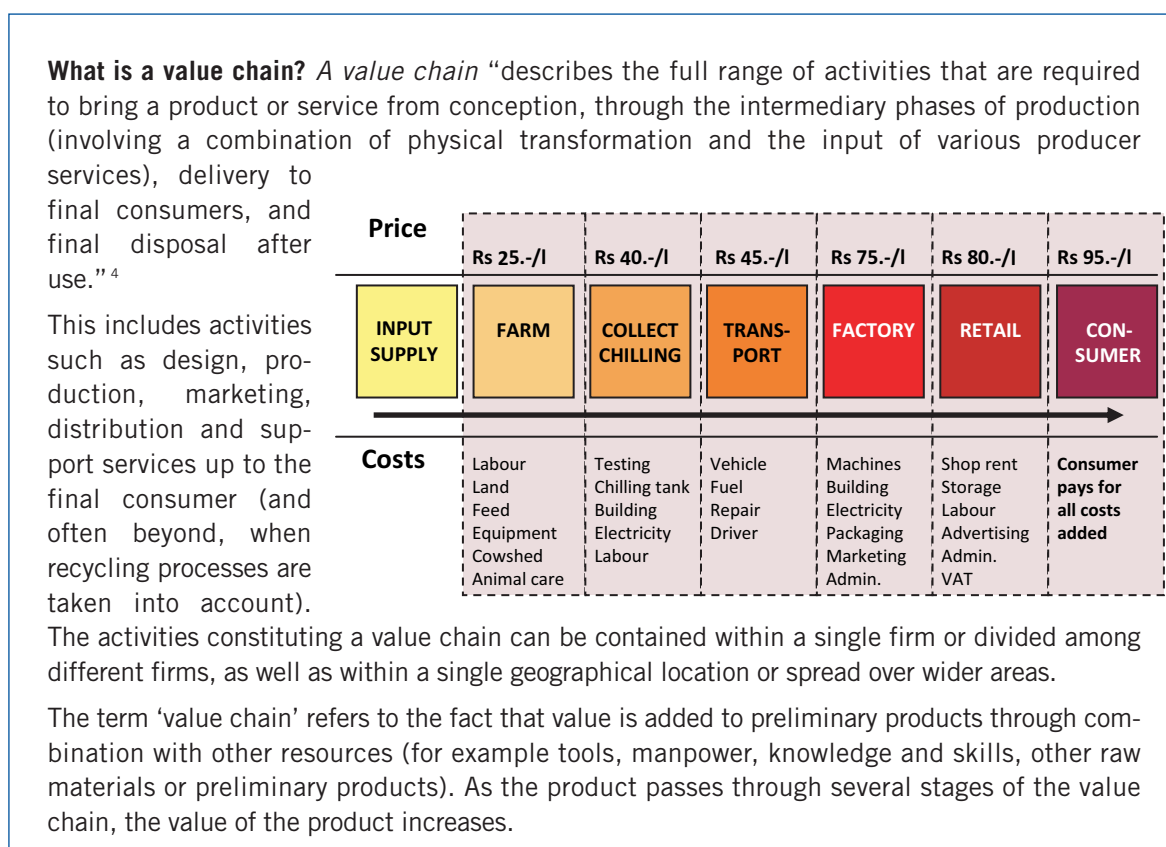


Figure: Herr, Matthias (2008): Local Value Chain Development for Decent Work, International Labour Organization, Enterprise for Pro-Poor Growth project, Sri Lanka.

⁴ Kaplinsky (2004): Spreading the gains from globalization: what can be learnt from value-chain analysis, Problems of economic transition, Vol. 47, No. 2: 74-115.

Introduction: What it's all about

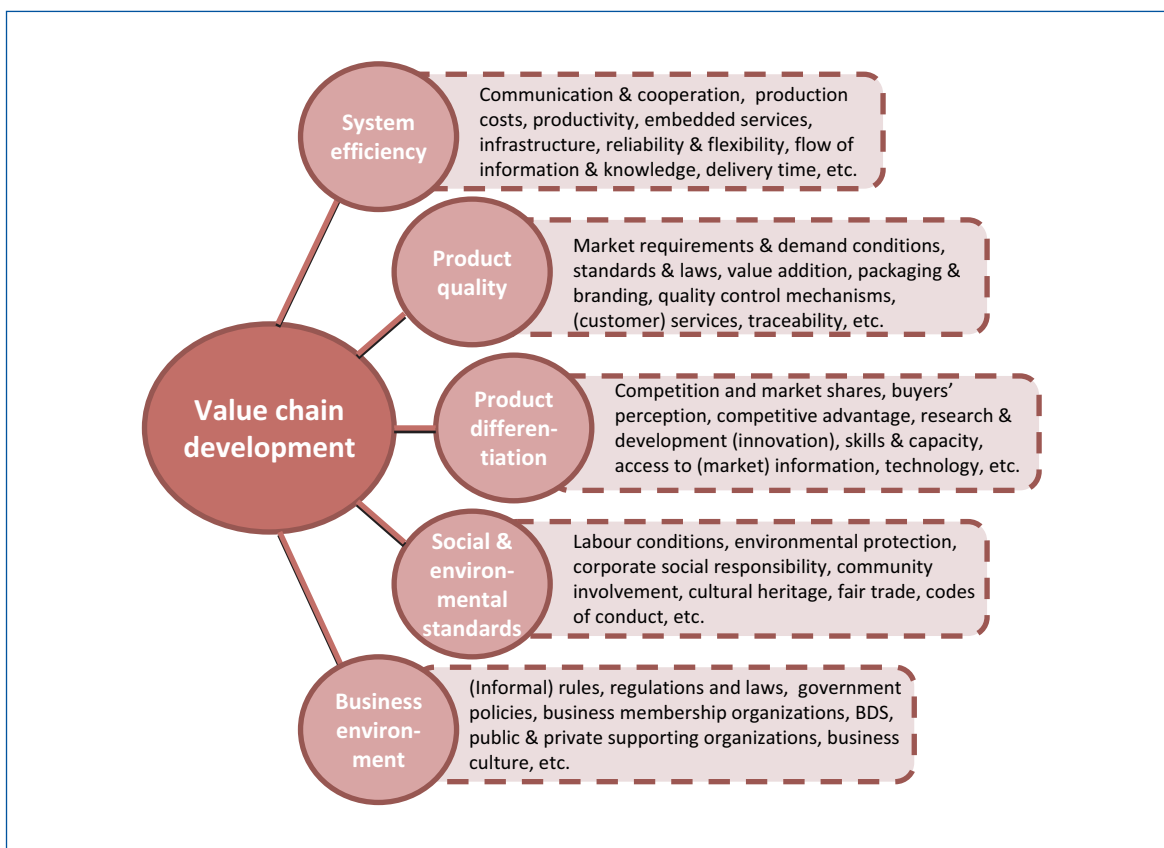
Drivers of change that prompt value chain development

Having established what value chains are, what exactly is value chain **development**? For definition purposes it is useful to make a distinction between five drivers of change that could prompt value chain development:⁵

1. System efficiency

There are opportunities for reducing costs and increasing efficiencies on the market if value chain stakeholders – large and small – work together. Buyers want to buy products the highest possible quality at the lowest possible price; they want quick and flexible responses to their orders and short delivery times. In order to achieve these market requirements all opportunities for increasing **system efficiency** need to be explored – and this requires cooperation and coordination of activities amongst value chain stakeholders.

Figure 0.3: Five drivers of change for value chain development



⁵ Taken from Value Chain Initiative (2004): Value chain guidebook – a process for value chain development, Agriculture and Food Council of Alberta, Nisku (Canada). Available from www.agfoodcouncil.com. The Value Chain initiative focuses mainly on product quality, differentiation and system efficiency as drivers of value chain development. These have been taken up and further developed in this guide.

Introduction: What it's all about

2. Product quality

Markets today are changing fast and competition is becoming increasingly fierce. If enterprises want to stay in the market, they need to make sure that their products and services meet continuously changing market requirements and demand conditions. *What counts, is the end product that the consumer receives, and the level of satisfaction that it creates.* Value chains can compete against each other in terms of production cost and/or **product quality**.⁶

3. Product differentiation

The better stakeholders cooperate along the value chain and coordinate their activities, the harder it will become for competitors to copy the product and the production process – because it is not just the product they need to copy, but the entire system. It is therefore important to understand what competitors are doing, and how they are doing it, and then to find ways of achieving a competitive advantage over them. This is mainly a matter of continuous *innovation and learning* within in the value chain – i.e. **how do I make my products different from those of my competitors?** Large companies also need to understand that it is important to share knowledge and information also with small enterprises in their supply or retail chains. This is purely in their commercial interests and has nothing to do with Corporate Social Responsibility (CSR). Innovation and learning has to take place throughout the entire value chain if sectors want to remain competitive on world markets.

4. Social & environmental standards

Consumers are becoming increasingly aware of **social and environmental standards** and are increasingly demanding products that fulfil these requirements. Retail and multinational companies are feeling pressure from consumer organizations, media, governments and NGOs to improve social standards in their supply/retail chains and to minimize environmental impact. The ILO's *International Labour Standards* are playing an increasingly important role and are being included in codes of conduct of private sector CSR initiatives – such as the global Ethical Tea Partnership⁷. Here again, it is more than a matter of doing business in a socially responsible way: it is in the commercial interests of companies to react to this consumer demand. Ensuring good social and environmental standards also means being able to trace products and services all the way back to their origin. This requires that businesses along the value chain cooperate.

5. Enabling business environment

Enabling business environment: Value chains do not exist in isolation but they are embedded into a highly complex social, economic, political and cultural environment, which determines the nature and success of business transactions within the chain (e.g. investments or business start-ups). As *Box 0.4* illustrates, the business environment can be seen as consisting of an *immediate environment* in which enterprises are part of markets in which they use various

⁶ Porter Michael, (2004): Competitive advantage: creating and sustaining superior performance

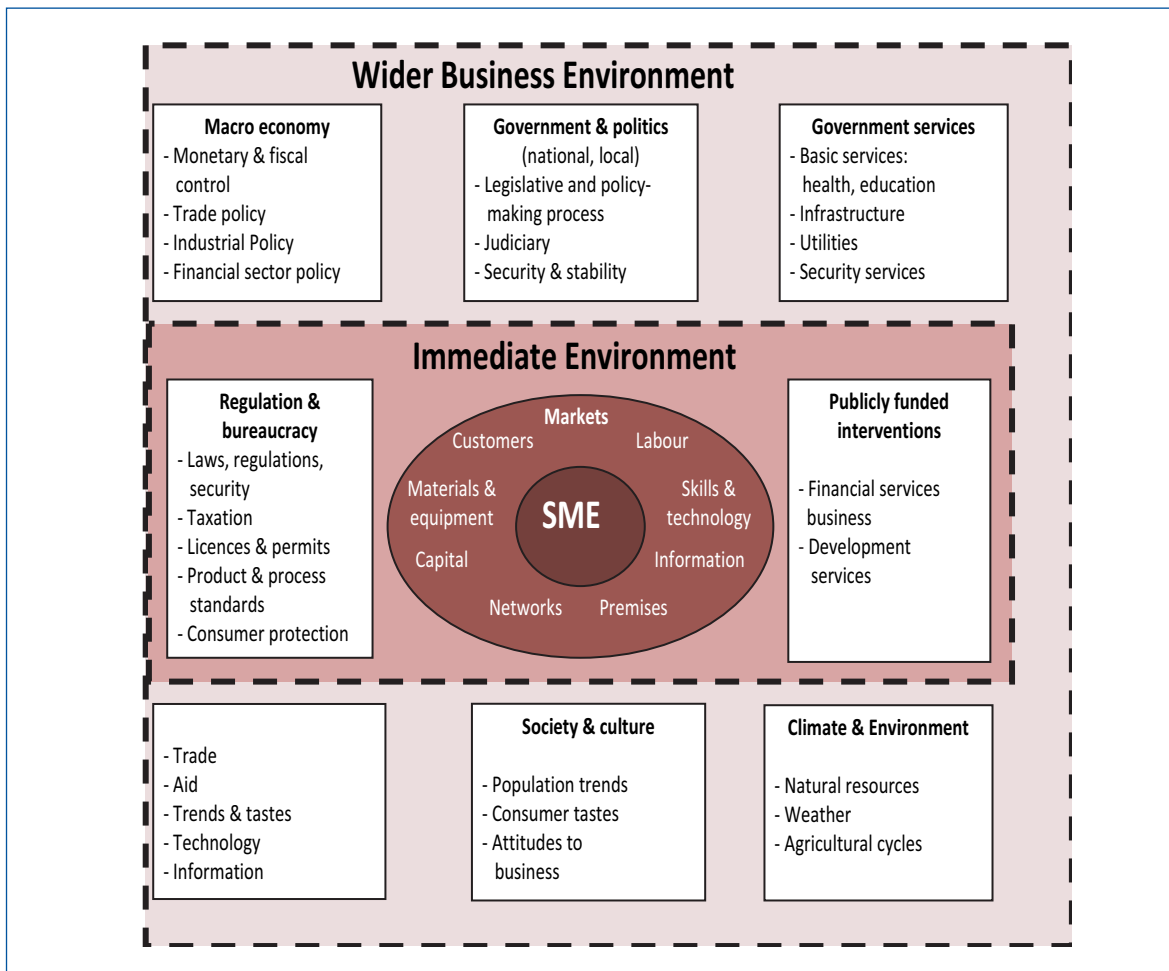
⁷ See www.ethicalteapartnership.com

Introduction: What it's all about

resources and markets in order to produce products and services. The market in turn is influenced by regulations, institutions and interventions that immediately affect a particular sector (such as health safety regulations for the dairy industry).

Apart from the immediate and sector-specific environment, there is also a wider business environment, consisting of broader government policies, macro-economic stability, public services, international and bilateral trade agreements, but also cultural and social factors (such as attitudes to doing business and demographic trends) and climatic and environmental conditions.

Box 0.4: Business environment



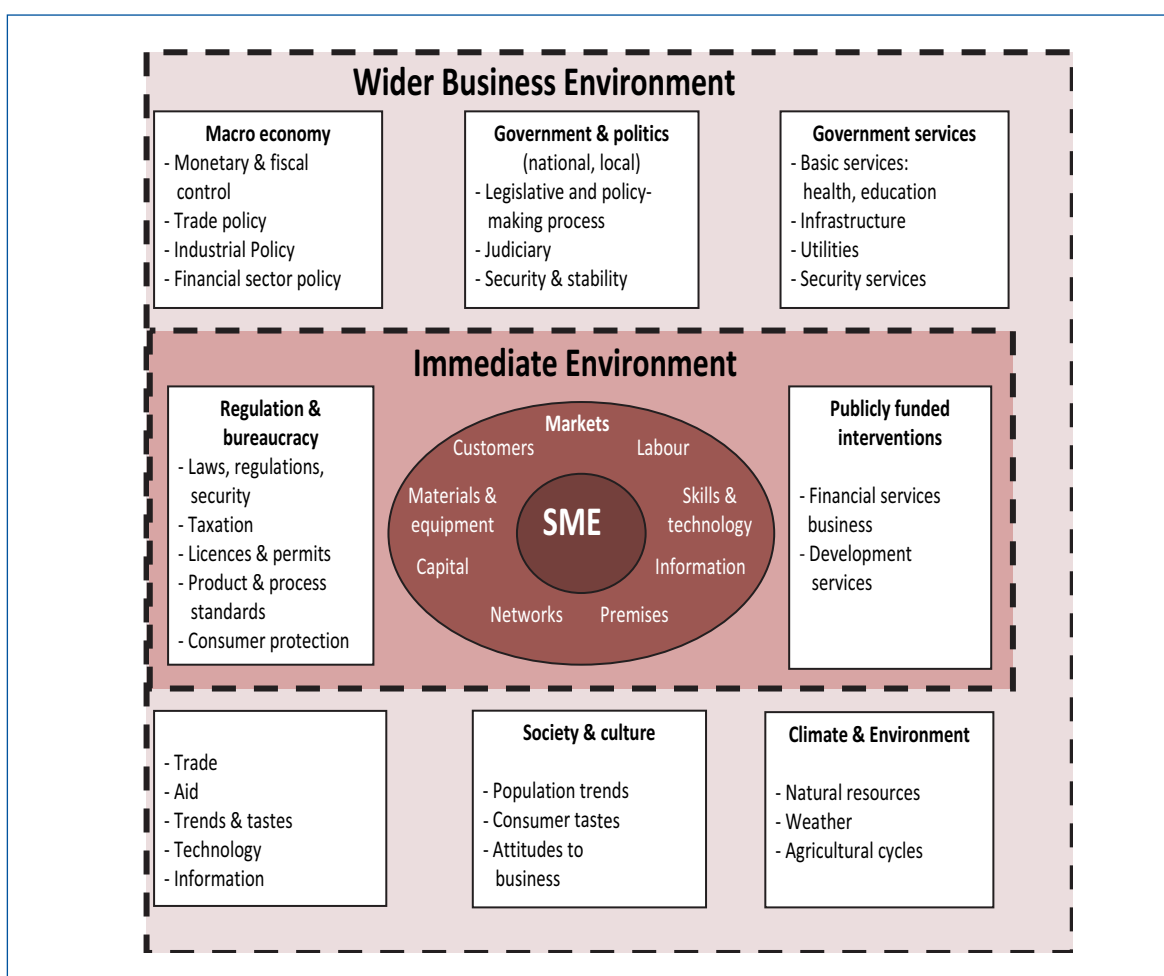
Source: The Springfield Centre, www.springfieldcentre.com

Introduction: What it's all about

Putting value chains and drivers into a systemic and operational market system framework

The value chain as described above consists of transactions from one business to another. The line of transactions from producer to consumer constitutes the value chain. However, we have also learned that the value chain of a particular sector is always embedded into a **market system** consisting of various **supporting functions** and **rules**. Within this market system different **market players** are either directly engaged in business transactions or part of supporting organizations such as BDS providers, government institutions or NGOs. The knowledge of how market systems work is of particular importance to governments and development organizations for developing upgrading strategies that target systemic root causes for competitive constraints.

Box 0.5: Value chains as part of market system framework



Introduction: What it's all about

Source: DFID/SDC (2008): The M4P operational guide, available from www.m4pnetwork.org. See also <http://www.meyer-stamer.de/systematic.html>

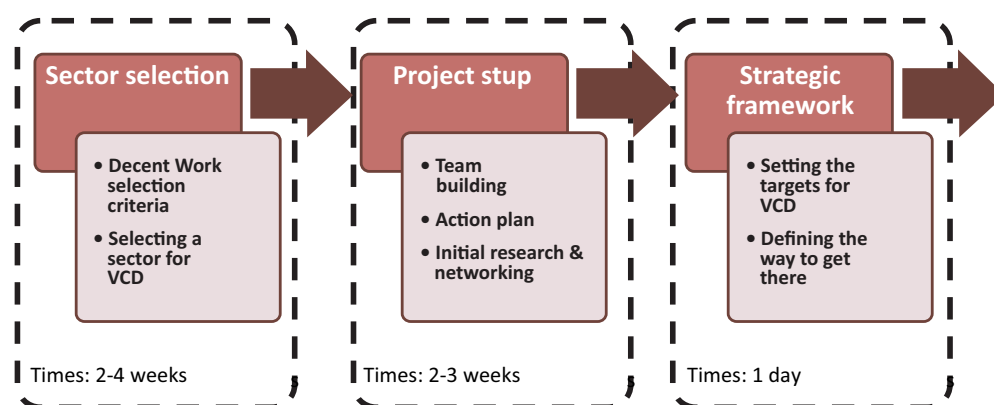
Chapter

1

Sector selection for Decent Work

Summary sheet: sector selection

Timeline and proposed actions:



Summary

Sector selection is important and sectors are often already defined in national development frameworks in accordance with national priorities. The “Value Chain Development for Decent Work” guide has been prepared for use in facilitating and promoting growth in priority sectors already agreed in Decent Work Country Programmes based on national priorities owned and led by the national constituents (Government and its social partners, Employers/Business and Workers). In this case monitoring and evaluation frameworks are in place, as would be steering committees and working groups for planning and implementation.

You may therefore want to skip this section if you are part of a priority sector yourself or if this topic is not relevant to you for this and other reasons.

Where there are no country strategies for private sector development and there is some scope for demonstrating the potential impact of sectoral strategies such as value chain development, this section can be used to identify sectors that have the potential for Value Chain Development for Decent Work. In doing so, sector selection uses not only financial or economic criteria such as a) good return on investment b) sustainable competitive advantage c) potential for growth, innovation and value creation but also social criteria such as (a) partner country priorities, ownership and participation (b) technological and environmental factors (c) potential for inclusive development - pro-poor economic growth, job creation and poverty reduction amongst other criteria for achieving Decent Work.

Outcomes:

- A sector with potential for profitability, growth and Decent Work
- Socio-economic indicators for monitoring and evaluation

Sector selection requires justification

Sector selection is a delicate issue: why do we select the garment industry and not fruit and vegetable processing? Or spices rather than paddy/rice cultivation? Such a decision requires careful consideration of the social and economic factors which shape the sector.

1.1 Defining sectors as socio-economic system frameworks

Definition of sectors

By “sectors” in the first place, we refer to socio-economic activities in which a) core transactions are similar in production and processing, b) businesses share certain supporting functions with one another, c) specific rules and regulations govern the way firms do business, and d) market players can be attributed to specific businesses, functions and rules. Within sectors we will often find several value chains and clusters (which are generally part of value chains themselves). Many would speak of three economic “sectors”: agriculture, industry and services. However, we adopt a narrower definition here, such as the *tea sector*, the *coconut coir industry*, the *embroidery sector*, the *dairy sector*, or the *Jatropha bio-diesel industry*. These are often also called “sub-sectors” of the three main economic sectors. However, let’s not dwell on terms.

Box 1.1: Definition of sectors

Sector selection for Decent Work

1.4 How to select sectors using Decent Work criteria

So how do we select sectors?

The following section will explain how to select sectors for value chain development initiatives in 4 steps: 1) defining objectives and target groups, 2) deciding on selection criteria, 3) rapid assessment of available sectors, and 4) application of selection criteria in a consultative meeting with

1.4.1 How to select sectors using Decent Work criteria

Step 1:

Defining objectives (Decent Work) and target group

In order to select a sector for a value chain initiative, you need to be sure about your own objectives: What do I want to achieve? Who is my target group (the market and beneficiaries)? Decent Work Country Programmes¹⁹ facilitated by the ILO among its national constituents (government, employers and unions) provide a guideline for projects as to which selection criteria best match a country's Decent Work agenda. By placing a value chain initiative for a sector within the framework of Decent Work Country Programmes (which reflect the constituents' development priorities), it will also be easier to generate support and link up with other development initiatives.

Putting sector selection in the context of Decent Work Country Programmes

Examples for objectives in Decent Work Country Programmes include: poverty reduction through creation of decent work opportunities with a focus on young women and men (employment and income creation), reducing incidences of child labour and its worst forms, mitigating the socio-economic impact of HIV/AIDS at the workplace, promoting gender equity, improving occupational health and safety, enhancing skills, etc. So where does your value chain initiative fit in?

The target group

Assuming that as a reader of an ILO guide to Value Chain Development for Decent Work, you share similar objectives as we do – i.e. the promotion of Decent Work²⁰ in value chains, we might ask ourselves: which are then the most disadvantaged groups in value chains in terms of Decent Work? We might come up with the following answers:

- Small and medium-sized enterprises (SMEs) which either supply to or buy from larger companies,
- Workers and employees in medium to larger business units (e.g. factories, offices, etc.),
- Women working in various occupations along the value chain (e.g. as home-based workers, employees, or micro-entrepreneurs),
- Young people and youth also working in various occupations in the value chain and looking for a career or trying to enter employment in certain sectors,
- Other disadvantaged groups such as disabled people seeking employment, ethnic minorities, children (in the case of forbidden child labour), etc.

Sector selection for Decent Work

Why this Manual?
