

Technical Module – Value Chain Development (applicable to Lot 1a and Lot 1b)

Although the SME Competitive Grant Scheme (SCGS) has a focus on Clusters as ‘vehicles’ which can move the “priority” sectors forward, at the same time, within the SCGS Guidelines Lot 1 the reader should conclude that Clusters and Value Chains are ‘joined at the hip’. The SCGS Guidelines give virtually equal emphasis to Value Chain as to Clusters.

In the ever important Section 1.2 of the SCGS Guidelines:

The SCGS will provide support for the following:

1: Support to cluster and **value chain development projects** that clearly seek the increase in SME competitiveness in priority sectors agreed between the EC and the GoB and in two stages of the cluster /value chain life cycle: (a) Early Growth and (b) Intensive growth and consolidation

Lot 1 is focused upon support to cluster and **value chain development** and has two sub-lots; 1[a] and 1[b].

1 [a]: Early Growth Stage

Actions under ‘*early growth*’ stage will support projects developing linkages between enterprises, R&D institutions and support organisations (training system, financial and micro-finance institutions, local administration, trade associations etc.). A cluster to be supported under 1[a] is defined as one with at least 20 enterprises, with representation of at least one sector association and which has been in existence for up to five years.

1 [b]: Intensive growth and Consolidation Stage

Actions under the ‘*intensive growth and consolidation*’ stage will support cluster and **value chain development** projects, including supporting and promoting the induction of new products, technology and companies/spin-offs and the internationalisation of networks/clusters/**value chains**. A cluster to be supported under 1[b] is defined as one with at least 50 enterprises, with representation of a sector association, training, research or academic institution and which has been in existence for at least five years.

Moving on to Section 2.1 (Eligibility Criteria) of the SCGS Guidelines:

Lot 1: Support to cluster and **value chain development**

*Lot 1 [a]: For early growth stage clusters/**value chains***

- There is no partnership requirement but the applicant must involve an existing cluster (as associates). A cluster must contain a minimum of twenty enterprises (associates) and be represented by one sector association(the applicant) from one of the priority sectors detailed in 1.2 above, and be able to demonstrate that the cluster has existed for up to five years.
- The sector trade association if not the applicant must provide official endorsement of the cluster/**value chain** to demonstrate the support of the sector for it. Although there is no partnership requirement, proposals involving partners are encouraged.

Lot 1 [b]: Intensive Growth and Consolidation Stage

- The application must involve a partnership of at least two institutions (the applicant and one partner) and an existing cluster (as associates). The partnership must include a Bangladesh sector-orientated association (as applicant or partner) from one of the priority sectors detailed in 1.2 above. A cluster must be from one of the priority sectors and must contain a minimum of fifty enterprises within a **value-added chain** or competitive cluster and must have existed for at least five years. The conditions may be relaxed in case of new innovative products (natural fibre).

The SCGS Guidelines Section 2.1.3 provides substantial direction as to “Eligible Actions: actions for which an application can be made”:

Types of action

Lot 1: Support to cluster and value chain development

Both the “*Early Growth*” and “*Intensive growth and Consolidation Stage*” target Cluster related actions.

At this point we should be reminded of the quote from Porter noted in Module – 8 concerning Clusters. “*A cluster, then, is an alternative way of organizing the value chain*”.

A review of the acceptable ‘actions’ listed for Lot 1(a) “*Early Growth*” clearly indicates the primary focus of activities should be to develop Clusters with an eye toward improving the value chain.

In Lot 1(b) “*Intensive Growth and Consolidation Stage*” the ‘actions’ encouraged:

“...will consist of projects supporting and promoting the induction of new products, technology and companies/spin-offs and the internationalisation of networks/clusters/value chains”.

The INSPIRED website has posted Value Chain and/or Feasibility Studies for seven of the eight ‘Priority’ sectors selected for support via the www.euinspired.org.bd - Grant Scheme – A Series of Sectoral reports.

There are actually two agro-processing reports posted on the INSPIRED website:

- [Jackfruit Report](#), and
- [Potato Flakes and Powder Report](#).

Although both reports are primarily business feasibility studies, readers will also find insightful value chain information. Additional insight concerning agro-processing is provided in the [Review of Agroprocessing Reports](#)

The [Natural Fibers](#) Report was also drafted as a business feasibility study but once again contains considerable value chain information.

The [Leather Sector Report](#) is strictly related to value chain as is the case with the [Plastics Report](#), [Light Engineering Sector Report](#), [Electronics and Electrical Sector Report](#). Each of these reports includes valuable value chain mapping and also an insightful SWOT analysis.

- Strengths: characteristics of the sector that give it an advantage over others
- Weaknesses: are characteristics that place the sector at a disadvantage relative to others
- Opportunities: *external* chances to improve performance (e.g. make greater profits) in the environment

- Threats: *external* elements in the environment that could cause trouble for the sector.

In addition to a SWOT analysis, the following were considered in the development of the above mentioned reports:

- Updated statistical data
- Regulatory and/or other governmental related changes impacting the VC
- New constraints
- Updated production cost factors
- Changes as related to global competitors
- Known changes in market trends
- Conclusions based upon this updated information.

SCGS applicants may want to reflect on the above factors based upon the applicant's knowledge of the sector in question as well as utilising relevant information within the sector reports to support and enhance proposal justification where appropriate.

To further assist in the preparation of SCGS applications, the INSPIRED Team would encourage all applicants and related consultants to study the attached:

A HANDBOOK FOR VALUE CHAIN RESEARCH

This EU publication, **A HANDBOOK FOR VALUE CHAIN RESEARCH**¹ is of particular relevance to value chain research in developing countries and provides clarity relative to:

- *Defining a value chain,*
- *Why value chain analysis is important,*
- *How to conduct a value chain analysis and*
- *How to utilise a value chain analysis to upgrade and/or innovate a value chain.*

The reader will also learn how value chain analysis differs from other conventional value chain studies. Methodology for value chain analysis is explained along with the importance of value chain mapping. Providing guidance as how producers can access final markets is included within this document. Governance of value chains is a particularly important topic which should be considered by organisations preparing SCGS applications.

As the authors point out:

“ - this Handbook is not meant to be used, or read, as a comprehensive step by step process that has to be followed in order to undertake a value chain analysis.”

‘We therefore urge readers to use their common sense and treat it as one does an edited book, or researchers to read it in the same way one reads a mechanics manual for finding out about one's car. Treat the contents page as an à la carte menu, read the bits that are interesting, take what is relevant for whatever research task is at hand, and skim what is not relevant.’

Further the author's state.....

”It is not an attempt to restrict researchers within a methodological strait-jacket, but rather to free them to use whatever tools are deemed suitable from the variety presented below.

¹ <http://www.srp-guinee.org/download/valuechain-handbook.pdf>

"it is not even our intention that everyone should read the Handbook in the way one would go through a (good) novel...read it in the same way one reads a mechanics manual for finding out about one's car."

"value chain analysis is particularly useful for new producers – including poor producers and poor countries – who are trying to enter global markets in a manner which would provide for sustainable income growth."

The sections covering Governance of Value Chains and Upgrading of Value Chains should be of particular importance to many SCGS applicants.

Grant Aid Tutorial Questions

Consultant:

Return Date:

e-mail:

Technical Module – Value Chain Development - Actions to facilitate development and meet SCGS objectives (applicable to Lot 1a and Lot 1b).

Applicants are requested to review the Value Chain map within the sector report (relevant to your specific area of interest) and, in particular, the SWOT analysis. Based upon your own knowledge of the value chain, related to your sector of interest, please develop a SWOT analysis trying as far as possible to demonstrate any issues that contribute to the specific objectives of the SCGS. Please limit your analysis to no more than two pages.
