

Annex 1: Terms of Reference (short version)

1. Background

The Evaluation Department (EVAL) of the Danish Ministry of Foreign Affairs is commissioning an Evaluation of Danida support to Value Chain Development (VCD) to be undertaken in 2015 based on these Terms of Reference. Reference is also made to an Evaluation Background Paper prepared for this evaluation.

The value chain is commonly defined as “the full range of activities that are required to bring a product from its conception to its end use. These include design, production, marketing, distribution and support to get the product to the final user”.¹ Value chain activities can be located within a single location or spread over a larger geographical area. Value chain analysis focuses on the vertical relationship between (networks of) buyers and suppliers and may include analysis of support markets and the business environment in which the value chain operates.

In the Danida Development Strategy from May 2010, growth and employment becomes one of four main pillars of Danish Development Cooperation and the value chain approach is indicated as an important element of Danish support to this area. This is subsequently elaborated in the Strategic Framework for Growth and Employment (2011-2015), where it is indicated that the overriding purpose of Danida value chain support is to “promote better linkage between primary agriculture, processing and manufacturing enterprises, service enterprises on both input and output sides, microcredit providers, banks and the public sector”. Within the overall objective of poverty reduction through growth and employment, the goal is to increase the supply of quality products to both the international and the regional markets and especially to the home market. It is furthermore emphasized, that the fact that the analysis involves the entire value chain does not necessarily mean that Danida must support each link in the chain directly, but should rather focus on specific constraints in the value chain.

More recently, the focus on green growth has been enhanced² whereby supporting inclusive green growth in value chains should aim at delivering both growth and a high degree of resource efficiency. With the new Act for international development cooperation in January 2013, promotion of human rights has been included as an overall objective of Danish development cooperation, together with poverty reduction³. The

¹ Donor approaches to supporting pro-poor value chains, DCED 2007.

² Strategic Framework for Natural Resources, Energy and Climate Change: A Greener World for All, 2013, and Danida Green Growth Guidance Note, 2014.

³ Human Rights Based Approach Guidance Note, 2013.

focus on human rights based approach and inclusive green growth is likely to continue to influence the design of Danida VCD support in the years to come.

Danida country programming is decentralized to the Embassies where the value chain approach has been adapted in different ways. Although there are many variations, there seem to be three broad approaches taken to value chain development: Farmer-led approach, with producers as the primary target group, firm-led approach, with enterprises as the primary target group and value chain linkage approach, which includes actors in the value chain at different levels. Further description of this tentative categorization can be found in the Evaluation Background Paper.

Danida Value Chain Development Portfolio

Within the framework of Danida's bilateral support to agriculture, fisheries and broader business sector development, elements of value chain development approaches were introduced from around 2003. With the emergence of Danida Growth and Employment Programmes in 2009/2010 (and recently Danida Green Growth Programmes), value chain development was included in most bilateral agriculture and private sector programmes. This also included private sector support under the Danida Neighbourhood Programme in Eastern Europe as well as the regional programmes in Central America and East Africa.

For the purpose of this evaluation, a broad definition of value chain development has been applied. Interventions under economic development programmes that have been included in the portfolio target value chain actors directly and include to some extent a reflection not only on the direct beneficiaries, but also on other actors in the value chain. The Danida VCD portfolio includes a large diversity of interventions, some with a small VCD element and others with a more significant VCD element. Often these interventions will constitute components or sub-components of a wider sector programme and the linkages to other components (such as financial services, business environment, infrastructure or vocational training) may be more or less explicit in the programme design.

An overview of the Danida VCD portfolio is provided in the Evaluation Background Paper and its annexes. The main characteristics are:

- The total budget for the 24 VCD interventions is about DKK 1.3 billion, distributed as DKK 900 million in Africa, DKK 63 million in Asia (Vietnam), DKK 51 million in South America (Bolivia), DKK 214 million in Eastern Europe and DKK 75 million in regional programmes.
- The size of the VCD interventions varies from about DKK 15 million to DKK 180 million. The VCD interventions in Africa are generally much higher than the others - from DKK 39 million to DKK 180 million. In Eastern Europe, the interventions vary from DKK 15 million to DKK 50 million.
- The 24 VCD interventions have been implemented in 18 countries and two regional areas (East Africa and Central America). 10 interventions have been implemented in eight African countries (Benin, Burkina Faso, Mali, Mozambique, Ghana, Kenya, Uganda, Tanzania and Zimbabwe), 1

VCD intervention in Asia (Vietnam) and 7 VCD interventions in Eastern Europe (Armenia, Albania, Georgia, Kosovo, Montenegro, Serbia and Ukraine).

- The implementing partners are the following: four consulting companies; three public trusts; two ministries and four secretariats under ministries; two export organisations; two university institutions; three delegated partnerships to other donors; and four NGOs.
- The implementing approaches utilized are: 10 farmer led approaches, three firm led approaches and 11 linkage led approaches.
- Many of these VCD interventions include a demand driven funding mechanism (sometimes a challenge fund) which enables value chain actors, according to pre-defined criteria, to obtain support for the realization of their activities. This means that each intervention could include up to several hundred small projects.

The VCD interventions have a range of different objectives, including enhanced competitiveness, access to new markets/exports, increased employment or income, access to technology or capacity building. With the exception of the VCD interventions of the regional programme in Central America⁴, all Danida supported value chains comprise agricultural/fishery commodities. A wide range of products are supported including horticultural products, food staples, fruits and berries, livestock products, fishery products and others.

In addition to the above 24 VCD interventions, 13 additional VCD interventions have been initiated from 2012 with a total budget of DKK 1.6 billion, indicating that Danida value chain development will continue as a prominent element of support. The trend of these interventions can be summarized as follows (see Evaluation Background Paper and Annexes for details):

- In Africa, Ethiopia and Niger will start up with new rather large VCD interventions while new phases of larger VCD interventions have recently been initiated in Burkina Faso, Mali, Tanzania, Uganda and Zimbabwe. A new phase of VCD interventions has been initiated in Bolivia. Three new VCD interventions are starting up in Asia (Afghanistan, Bangladesh and Nepal) while it seems as if the number of VCD interventions in Eastern Europe will be reduced (Albania will continue). A new phase of the regional VCD intervention in East Africa is under preparation;
- In average the size of the new VCD interventions are bigger than the previous portfolio. 13 new VCD interventions in 12 countries have a total budget of about DKK 1.6 billion with an average size of more than DKK 100 million.

2. Evaluation purpose and outcomes

⁴ Support is here provided to ecological/climate friendly interventions in energy, tourism, production systems, ecosystems, etc.

The purpose of the evaluation is to contribute to improving the design and implementation of Danida's bilateral programme cooperation under inclusive green growth and employment by documenting results and experience and providing recommendations for future support to value chain development. This will be achieved by:

- Assessing Danida support to value chain development,
- systematizing lessons learned, and
- providing recommendations for future Danida support in this area.

The evaluation will hence primarily focus on the learning aspects, thereby providing an opportunity to enhance Danida's capability in the area of VCD support.

The evaluation will aim at the following outcomes:

- An enhanced understanding in Danida in regard to what value chain approach can contribute with and how VCD interventions should be designed in order to contribute to inclusive economic development and green growth,
- A better understanding of the context in which a value chain approach would be most appropriate in future Danida programmes,
- Guidance to Danida with respect to future policy and programme implementation in this area.

3. Scope of work

The evaluation will cover Danida VCD interventions in 11 countries: Burkina Faso, Ghana, Kenya, Mozambique, Tanzania, Uganda, Zimbabwe, Central America regional programme, Albania, Serbia and Ukraine. These countries have been selected in order to include a diversified portfolio which reflects the geographic balance of the overall portfolio.

As described in further detail below, the evaluation will involve desk work in relation to VCD interventions in these 11 countries and further field work in three of the countries selected in the inception phase in consultation between the evaluation team and EVAL.

4. Evaluation criteria and evaluation questions

The overall evaluation questions to be answered by this evaluation are the following:

- A. What are the results, how and under which circumstances have the VCD *interventions* contributed to achieving Danida and partner objectives?
- B. To what extent are VCD *interventions* well designed and efficiently implemented?

C. To what extent has the value chain *approach* contributed to enhancing the relevance, efficiency, effectiveness, impact and sustainability of Danida interventions within economic development?

The following specific evaluation questions relating to these three overall questions are suggested for the evaluation. It is anticipated that these will be reviewed in the inception phase:

1. To what extent have the selected VCD interventions achieved or contributed to their planned outputs, outcomes and impact? This assessment should include the direct, indirect and spill-over effects (positive and negative) of the VCD support.
2. Are certain context factors systematically influencing the effectiveness of VCD interventions?
3. What have been the different ways of implementing Danida VCD interventions, in terms of approach, primary beneficiaries, selection of value chains, defining activities and levels of support and how does this influence the results?
4. How has the engagement of the public sector been practiced in the VCD interventions and how has this affected results and sustainability?
5. What is the potential for furthering issues related to green growth and human rights based approach as an integrated part of the VCD interventions and to which extent has this been done?
6. How does the cost of programme implementation compare between programmes? This includes a comparative assessment of implementation cost between selected programmes.
7. What is the level of results orientation, risk management and flexibility in programme implementation?
8. Has the value chain approach been important for the achievements of the assessed interventions or is it likely that other approaches could have achieved the same or more?
9. Within the framework provided by Danida programming guidelines, how could preparation, design and management of future VCD support be improved?

The evaluation will make conclusions based on the OECD/DAC's five criteria: relevance, efficiency, effectiveness, impact, and sustainability. It is acknowledged that causal links at outcome and impact level may be difficult to establish and that developments at this level are influenced by numerous factors and may evolve in a non-linear manner. The evaluation analysis should take these factors into account, but should nevertheless – where possible – document outcomes and the wider impact of the programme.

5. Approach and Methodology

The evaluation will be carried out in accordance with the Danida Evaluation Guidelines (January 2012) and the OECD/DAC Evaluation Quality Standards (2010). The evaluation must be based on a sound

methodology. The evaluation design must be methodologically rigorous and credible when judging both the internal and external validity of the results.

Bidders are free to propose the most appropriate designs for responding to the evaluation questions indicated above. This section provides some initial thinking on the proposed approach and methodology, which will need to be further developed by the evaluation team in the technical proposal and in the inception report through concrete and practical solutions.

It is envisaged that the evaluation applies a theory-based approach and combines qualitative methods with the collection of quantitative data in the three selected field countries, where also qualitative or quantitative counterfactual analysis should be included to the extent feasible. It is furthermore envisaged that the evaluation will categorize the selected VCD interventions according to their approach or main focus. It is suggested to approach the analysis of the portfolio with two levels of intensity:

- A review of interventions in 11 countries based on the available documentation, including documentation from reviews and impact studies. The countries are Burkina Faso, Ghana, Kenya, Mozambique, Tanzania, Uganda, Zimbabwe, Central America regional programme, Albania, Serbia and Ukraine.
- In-depth studies of three VCD interventions involving field studies by the team. It is envisaged that the in-depth studies will aim to test selected aspects of the Theory of Change of the intervention and to undertake primary data collection related to outcomes and impact. The three countries will be selected among the 11 countries indicated above in the inception phase based on where are the best learning opportunities.

It is envisaged that some of the evaluation questions can only be answered on the basis of the work in the three field countries. For the purpose of the tendering process, the three field countries are tentatively indicated as Burkina Faso, Uganda and Serbia, but the final choice of field countries will be made as part of the inception phase and agreed between the consultants and EVAL.

The following elements are envisaged to be part of the evaluation methodology:

- A review of the relevant programme documentation.
- A review of the financial information and management procedures for the selected VCD interventions.
- Interviews with key stakeholders in Denmark, including amongst others the relevant departments in the Ministry of Foreign Affairs.
- Interviews with relevant partner organisations in selected partner countries, including the relevant private sector organisations and government departments.

- A survey based on interviews with beneficiaries of the VCD support in the three field countries. It is envisaged that a sample of 25-30% of randomly selected beneficiaries are interviewed in order to establish a quantitative basis for assessing outcome and impact. This is roughly estimated to amount to around 100 beneficiary interviews in each of the three countries.
- With the aim of establishing a counterfactual, it should be considered whether it is possible and useful to conduct interviews with non-beneficiaries.
- Focus group discussions with beneficiaries and key informants in field countries.
- In order to establish a better base for the field work, it is envisaged that the team leader or a team member undertakes a 1-2 day preparatory visit to each of the three field visit countries during the inception phase.
- It is envisaged that the field work will be of approximately two weeks' duration in each of the three countries.