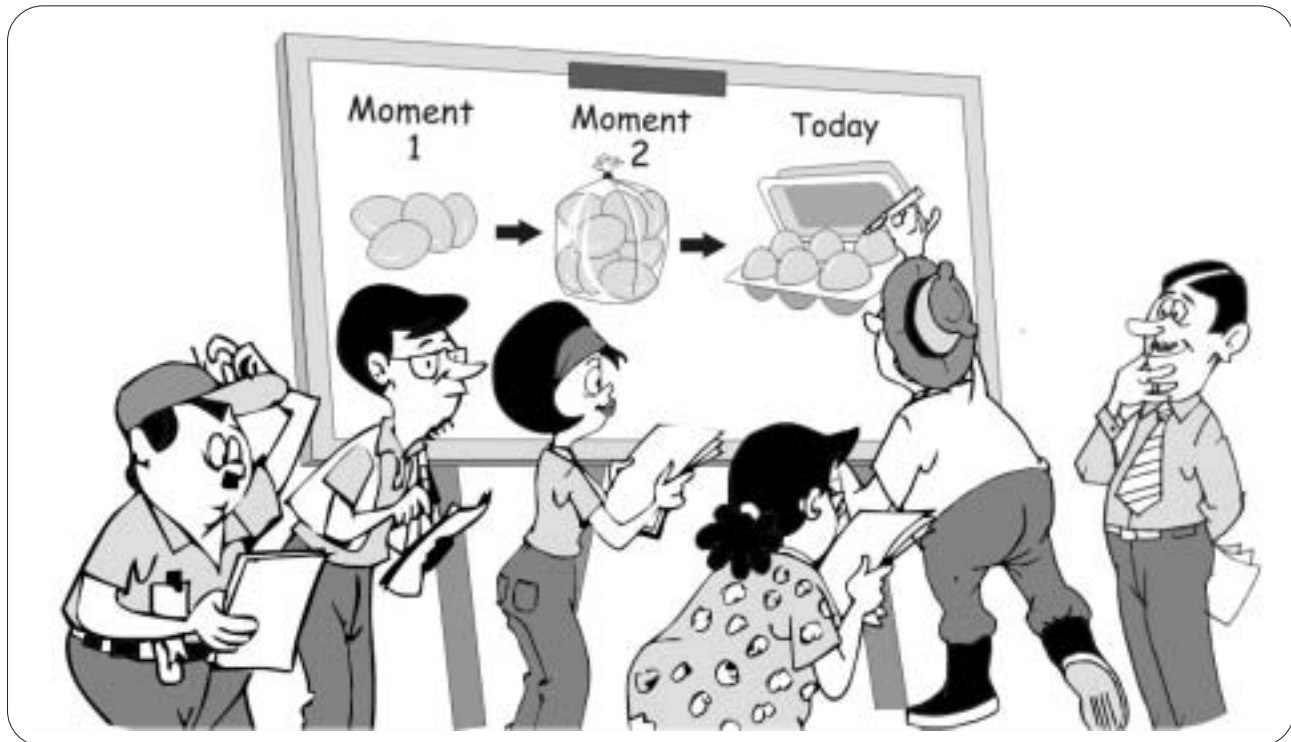


## SECTION 11

# Monitoring of Strategies to Increase Competitiveness: General Guidelines



### Guiding questions

1. What are some key factors for the design of a monitoring and evaluation system that can be used by the market chain actors?
2. What factors are key to measure changes that increase competitiveness along a market chain?
3. What factors can we use to compare the market chain we are supporting with others that compete with it?
4. What are the indicators that permit us to measure the competitive performance of the market chain in selected markets?
5. What are the livelihood impacts on market chain actors over time?

### Introduction

The implementation of a strategy to increase competitiveness can take many forms ranging from tacit agreements between groups of actors to form value chains, to the financing of important development projects whose aim is to improve one or various market chains in a rural area. Facing this diversity, it is difficult to design a single system for monitoring and evaluation. This section intends rather to present some key parameters at different levels that can be useful for measuring the changes

achieved by these strategies. They should be taken as guidelines rather than as fixed rules. Naturally, each facilitating organization should revise, adapt, eliminate, or add to this list to develop a system that is most useful for their needs.

### Monitoring and Evaluation

Before beginning the design of a monitoring and evaluation system for a strategy to increase competitiveness, it is useful to reflect upon several questions. First, who are the intended

users of the data generated by the proposed monitoring and evaluation system? Will the users be technicians, donors, or managers of the facilitating organizations, market chain actors, the government, or a mixture of these? How will the data be used by different groups? Depending on the users, a system or various systems should be designed in response to their needs, desires, and capacities. If a particular group is expected to help collect or analyze data in the process, it is important to ascertain if the group's interests are clearly represented in the proposed system.

Second, the proposed system should be sufficiently simple or complex to respond to the needs of its users. If the monitoring and evaluation of the strategy will be implemented with market chain actors, the system should be designed with their participation so that it responds to their needs by generating information useful for their decision-making processes.

Third, what are the objectives of the monitoring and evaluation system? Is it a system to help respond to the donor's demands for information? Is it a system that intends to show the actors how near or far they are from the levels of competitiveness of other similar market chains? Does it capture stories of positive changes for publicity reports? Does it collectively learn about what works in improving a market chain and share it with others? Having clarity about the rationale behind the system is important so that it is designed correctly.

Finally, a monitoring and evaluation system to be effective must continue to function over time. Who will manage the system? Who will take charge of collecting, processing, and feeding data into the system? How often? Will local persons or external experts carry out these activities? How will the management of the system be paid for? The system should be designed to be feasible to manage, maintain, and use.

### **Possible Factors for a Monitoring and Evaluation System**

Some possible factors to take into account for a monitoring and evaluation system are set out below with their respective sources of information. Again, this list does not intend to be either complete or unique; it should be used as input for the design of a system that responds to users' needs.

### **Within the market chain**

- **Production costs:** Evolution of production costs in the market chain's different links. Are the costs stable, increasing, or declining?
- **Yields per unit:** Evolution of the yields, or productivity per unit, invested or employed in the market chain. For example, production per hectare planted or quantity of cheese produced per liter of milk.
- **Value of final product:** Evolution of the commercial value (in constant currency) of the final product or products of the market chain. Is the value of the product increasing, stable, or declining?
- **Profitability:** Evolution of the product's gross or net profit for the market chain. Profit can be calculated in each link as an easy way to identify which actors capture a greater percentage of the benefits. Are overall profits increasing, stable, or declining?
- **Distribution of benefits:** How does the distribution of final product or products value along the market chain and amongst diverse actors evolve over time? Who retains the most value, and how does this distribution change over time? This indicator is of special interest in projects focused towards poverty reduction.
- **Improvement of the market chain products and efficiencies:** There are various ways of improving a market chain. Kaplinsky and Morris (2001) identified four key trajectories.
- **Process improvement:** Increases in the efficiency in internal processes both in individual enterprises, and between enterprises in a market chain. Examples in a market chain are the frequent and timely delivery of products with the required quality as well as the ability of service providers to support market led/enterprise innovations.
- **Product improvement:** Introduction of new products or improvements in existing products more quickly than by rivals. This implies changes in the processes of developing new products within and between enterprises.
- **Functional improvement:** Increases in the added value by means of changes in the activities managed within an enterprise (for example, taking responsibility for quality within the market chain) or moving the focus of activities to different links of the

market chain (for example, from production to marketing).

- **Market chain improvement:** The market chain passes from a basic product to a processed one of greater value.

### **Benchmarking**

Based on the first five indicators used to measure changes within the market chain, comparisons can be made between similar market chains. This process is useful if a similar, more advanced, market chain can be identified and data of the two market chains shared with the actors so that they can see what can be achieved. In the same way, if there is access to data of other similar market chains, existing good management practices could be identified and adapted to local needs. Table 31 lists some possible indicators and sources of verification.

### **In the market**

- **Market penetration:** How is the market position of products from the market chain evolving? Is the participation of the products increasing, stable, or declining? In the same way, the segment of the market where the product is sold can be researched. Does the

product reach a segment that is highly profitable, profitable, or only slightly profitable? Has this changed as a result of the strategy?

- **Sales volume:** Evolution of total volume of sales measured in kilograms.
- **Sales value:** Value of sales of the market chain measured in constant currency.
- **Product differentiation:** Results from strategies to differentiate the market chain's products in a specific market and thus gain a competitive advantage.

Table 32 lists some possible indicators and sources of verification.

### **Results on Livelihoods (by Gender, Population Groups, and Economic Status)**

#### **Participation of market chain income in the overall livelihood strategies of the target populations**

Evolution of the percentage of the target population's income originating from activities related to the market chain. This measurement can include the sale of products, employment, or reduction of purchases as a result of the

Table 31. Indicators and sources of verification within the market chain.

Indicators	Source of verification
Production costs	Interviews or periodic workshops with strategic differentiated actors of the market chain.
Yields per unit	Interviews or periodic workshops with strategic differentiated actors of the market chain.
Value of final product	Survey of final value of product in the market.
Profitability	Interviews or periodic workshops with strategic differentiated actors of the market chain.
Distribution of benefits	Interviews or periodic workshops with strategic differentiated actors of the market chain.
Improvement (processes, products, functions, market chain)	Direct observations, interviews, or periodic workshops with strategic differentiated actors of the market chain.

Table 32. Indicators and sources of verification of the market.

Indicators	Source of verification
Market penetration	Periodic interviews or workshops with differentiated strategic actors of the market chain. Periodic surveys in the target markets of the market chain.
Sales volume (in kg)	Periodic interviews or workshops with differentiated strategic actors of the market chain. Periodic surveys in the target markets of the market chain.
Sales value	Periodic interviews or workshops with differentiated strategic actors of the market chain. Periodic surveys in the target markets of the market chain, revision of secondary data on market prices.
Product differentiation	Periodic interviews or workshops with differentiated strategic actors of the market chain. Periodic surveys in the target markets of the market chain.

Table 33. Indicators and sources of verification of livelihoods.

Indicators	Source of verification
Income generated by the market chain as a percentage of local livelihood strategies	Periodic interviews or workshops with differentiated strategic actors of the market chain
Diversification and security of income sources	Periodic interviews or workshops with differentiated strategic actors of the market chain
Use of the market chain's added income	Periodic interviews or workshops with differentiated strategic actors of the market chain
Employment generation	Periodic interviews, secondary government data
Participation in the local economy	Government data (if they exist)

strategy to increase competitiveness. How do the activities supported by the strategy contribute in the generation of livelihoods, and how do these contributions evolve? Are those who benefit from the market chain women or men? What population or income groups benefit the most or the least from improvements in the market chain? Why?

**Diversification of income sources and income stability during the year**

How market chain activities affect the income diversity and security of the target population during the year?

**Use of added income of the market chain**

How does the target population use added income generated by the market chain? Who

decides upon the use of the added income generated by the market chain?

**Employment generation**

How does the market chain contribute to temporary or permanent employment generation disaggregated by gender, ethnicity, or age. Who from within the community gains most from these opportunities?

**Participation in the local economy**

How does the relative importance of the market chain change over time in relation to other economic activities in the local economy?

Table 33 lists possible indicators and sources of verification.