

## Terms of Reference

### Value chain analysis of Garments and Textiles sector in Andhra Pradesh and Odisha, India

#### 1. Background and justification

The ILO led *Promoting Sustainable Enterprises in India (PSEI)* initiative, supported by Korea International Cooperation Agency (KOICA), aims at upgrading and enhancing sectoral competitiveness of food processing (especially, fruit pulp and fisheries) and garments / textiles sector in Andhra Pradesh (AP) and Odisha with the overall objective to enable sectoral MSMEs to sustainably integrate in the global supply chain and generate more and better-quality jobs locally. For more details, see the link: [Promoting Sustainable Enterprises in India](#).

Towards this, the initiative will facilitate:

- Market system development by strengthening policy enablers
- Improve local institutional capacity to effectively target and service enterprises
- Promote formalization and entrepreneurship to start new businesses to plug missing segments in the value chain
- Guide existing processing enterprises to improve productivity and align to international standards, and
- Facilitate engagement with the private sector and international markets, in particular, South Korea, for supply chain links.

For supporting evidence-based design, implementation of sector-development policy initiatives in the state and market-responsive services to MSMEs towards private sector led inclusive job-rich growth, identification of the challenges and opportunities in the value chain is essential. As such, the PSEI project plans to conduct value chain analysis (VCA) in food processing and garments and textiles sector.

The evidence generated will aid in designing interventions geared towards strengthening partnerships between market players in the sectoral value chain (including lead buyers, input and service providers, intermediaries), government programmes and other institutions in the state, business development and extension services, financial institutions and labour intermediation agents. The analyses will help to better understand sectoral dynamics as well as to identify the key constraints in their supporting functions (including skills and training, access to business and financial services, etc.) and rules and regulations (coordination, tax regulations, investment incentives, quality standards, etc.).

The VCA will also identify which of the sectoral stakeholders – or market actors – seem well positioned to address the constraints. This exercise will include a mapping of the relative motivation and capacity (will and skill) of these key actors and their alignment to addressing key constraints.

This assignment pertains to value chain analysis in the garments and textiles sector in Andhra Pradesh and Odisha. Both are cotton growing states and have presence of textiles and handlooms units historically.

## 2. Assignment Objectives

The assignment involves conducting value chain analyses (VCA) in the garments and textile sector with a gender sensitive lens covering Andhra Pradesh and Odisha. The overall objectives are to :

1. Analyse current functioning of the value chain (including type and number of MSMEs), 'supporting functions' and 'rules' from source to end (cotton firms to textile mills to garment to end market)
2. Identify new product lines or diversification opportunities, and markets in terms of linkage to domestic and international lead buyers/ brands/ labels, as well as exports including to South Korea,
3. Identify priority constraints – and the root causes from source to end - limiting the ability of the sectors in supporting MSMEs to better perform and sustain competitiveness; expand and increase share in the market and links to corporates/ buyers; attract investment; setting of new businesses including start-ups; and more and better jobs for both men and women
4. Identify opportunities from source to end to link and expand market share, and for existing and new businesses to generate income and jobs
5. Identify risks for the marginalization of traditional handloom communities and home-based enterprises (as well as workers), scope for formalization and their integration in formal value chain
6. Produce an upgrading strategy for the value chain and expanding market links / access

## 3. Tasks

### **Objective 1: Analyse current functioning of the value chain (that is, business model), 'supporting functions' and 'rules'**

This objective should be achieved through:

#### **a. Secondary research**

- Identify secondary data sources and gather data / facts and figures (based on study research questions outlined in Annex1)
- Analyse the information within these sources to identify key themes and specific data of relevance to the research questions outlined in Annexe 1

#### **b. Primary research**

**b.i** Carry out surveys, interviews and focus group discussions with relevant value chain actors in Andhra Pradesh and Odisha. This should include, but is not limited to : input suppliers; brokers/ intermediaries/ buying agencies; wholesalers; manufacturers in the formal and informal sector (both employers and workers, especially women); retailers, exporters, lead buyers/ corporates (domestic / MNCs and international importers or trading firms), with special focus on forward and backward linkages between the cotton farms, textile mills and garment manufacturers

**b.2** Carry out interviews and focused group discussions with relevant stakeholders, to understand 'supporting functions' and 'rules' in Andhra Pradesh and Odisha (including, dialogue mechanisms / forums with the private sector and MSMEs). This may include, but is not limited to: Government departments responsible for creating and enforcing 'rules', besides leading implementation of various policy initiatives / schemes relevant to the sectors; Financial service providers; Non-financial business development service (BDS) providers; Cluster, sectoral, state, and national associations / chambers; state-level field institutions (public and private) offering services to MSMEs in the sub-sectors; state institutions developing local infrastructure; ICT companies of relevance including those providing technological solutions (including e-commerce companies)

The exact number of interviews will be agreed between the consultant and the PSEI project team based on the sample design proposed by the consultant in the techno-commercial proposal.

### **c. Analyse information gathered**

- Synthesise and analyse the information gathered from different sources and reach conclusions about the research questions outlined in Annex 1

## **Objective 2: Identify new products and markets**

This objective should be achieved through:

### **Secondary research**

- Identify secondary sources of information which contribute to achieving objective 1 and answering the associated research questions outlined in Annex 1. This could include, but is not limited to, industry journals, market research, government statistics
- Analyse the information within these sources to identify key themes and specific data of relevance to the research questions outlined in Annex 1

### **Primary research**

Carry out interviews and focus groups with relevant value chain actors to achieve this objective and the associated research questions outlined in Annex 1. This could include, but is not limited to:

- Interviews with relevant value chain actors in AP and Odisha
- Interviews with producers and processors from other competing countries (especially, those leading sectors globally)
- Interviews with lead brands and buyers from other countries, including South Korea

## **Objective 3,4 and 5: Identify priority constraints, opportunities and risks**

Considering all of the information collected under objectives 1 and 2, the consultant should draft conclusions regarding:

- The highest priority constraints that should be addressed to improve the performance of the value chain including estimating average value added (that is, margins) currently at each stage from source to end in garments and textiles (including inter-link between garments and textiles)
- The highest priority opportunities that should be accessed to improve the performance of the value chain
- The risks for the marginalisation of traditional communities, in particular, women and scope for the formalisation of the value chain

The above conclusions should be drawn bearing in mind:

- Potential positive impact of overcoming the constraint
- Feasibility
- Risks

Draft conclusions should then be presented to value chain stakeholders at a workshop, where they are able to provide feedback and adjust the priorities as required.

#### Objective 4: Produce upgrading strategy for the value chain

Considering all of the information collected under objectives 1 to 5, the consultant should draft an upgrading strategy for the value chain in the textiles/garment sector. This should include:

- Overall vision and strategic aims for the value chain
- Planned changes in the enterprises (with a particular focus on MSMEs) within the value chain and overall sectoral business models that would achieve the overall aims
- Planned changes to the 'rules / governance systems' or 'supporting functions' that would help achieve the overall aims
- Steps for capitalising on the presence of cotton farms and textile mills to gradually progress to garments

The upgrading strategies should be broken down into short term (within 6 months), medium term (1-3 years) and long term (3-5 years). The strategies should be drafted bearing in mind:

- Potential positive impact of overcoming the constraint
- Feasibility
- Risks

Draft conclusions should then be presented to value chain stakeholders at a workshop, where they are able to provide feedback and adjust the strategies as required.

## 4. Outputs

The consultant will deliver the following outputs:

1. Validation and planning workshop. This will be attended by relevant stakeholders and include presenting and gathering feedback on the value chain analysis, priority constraints and opportunities, and proposed upgrading strategy
2. Value chain analysis (40 pages excluding annexures) with executive summary (3-4 pages) and upgrading strategy report (7-10 pages) – in MS Word and aligned to ILO House Style manual

## 5. Schedule

A tentative schedule for the assignment is outlined below and is expected to be carried between February to April 2022.

	January	February				March				April							
Activity	4	1	2	3	4	5	6	7	8	9	10	11	12				
Assignment briefing by ILO																	

Structure for VCA report																				
Research design and sampling																				
Carry secondary research																				
Sharing of initial findings of secondary research with ILO																				
Survey instrument, carry Survey (objective 1)																				
List of interviewees, outline for semi-structured interview and focussed group discussion, Primary interviews with value chain actors																				
Interviews and focus group discussions with stakeholders																				
Data analysis, First draft of VCA report																				
Structure for VC upgrading strategy																				
First draft upgrading strategy																				
Validation workshop																				
Incorporation of feedback from ILO and validation workshop, and submission of final drafts																				

## 6. Assignment management

The VCA will typically be led by a team of international and national consultant/ expert (or two state-based / field consultants<sup>1</sup>) who will perform a combination of desk-based and field research. The team will collect data/figures and field evidence, for example in output, productivity, market growth, prices etc. with qualitative information through interviews of sector market actors on key constraints and opportunities.

Given the current travel restrictions imposed by COVID-19 containment measures, the international specialist (if not based in India) will conduct field research remotely, and thus, will connect/call-in to field research interviews led by the national or state-based consultants.

<sup>1</sup> Based in Andhra Pradesh and Odisha

## 7. Administration and Coordination

The Consultant will report to, and work under, the direct supervision of the Project Manager, PSEI project. The team will also work in close relationship with PSEI's national project coordinator and technical officer.

## 8. Terms of payment

The terms of payment are as follows:

1. 40% of total fees to be paid on delivery of draft VCA and VCA upgrading strategy on time and to satisfaction of ILO
2. 20% of total fees will be paid on delivery of output 1 (Validation and planning workshop) on time and to satisfaction of ILO
3. 40% of total fees to be paid on delivery of output 2 (final drafts of Value chain analysis and upgrading strategy report) on time and to satisfaction of ILO

All expenses related to travel to Odisha and Andhra Pradesh will be reimbursed by the ILO based on actuals (subject to submission of original invoices).

## 9. Qualifications and experience

The profile of the team:

- Masters degree or equivalent in economic development, market systems development, private sector development, or any related field (especially in garments and / or textiles) with at least 10 years for international and 5 years for national, of overall professional experience, out of which several specifically in conducting market research and VCA
- Excellent knowledge of value chain development approaches and value chain analysis in particular
- Excellent understanding of garments and/ or textiles value chains, including their structure and function, opportunities and challenges for MSME upgrading, besides business models of brands
- Excellent understanding of private-sector growth led models, informality and gender issues
- Proven track record of research and policy development skills, including research design, data collection and analysis, and policy advise
- Strong presentation and facilitation skills
- Analytical writing skills and fluency in English
- Experience in the region and particularly in India will be an asset (for international consultant)
- Experience and familiarity with the business operational model in select sub-sectors in Andhra Pradesh or Odisha or both

## 10. How to apply?

Interested and qualified consultants are requested to submit their application **as a team** with the following information:

1. A short technical and financial proposal (max 4 pages) describing the research methodology, detailed task plan, work-days for each team member with role defined and fees
2. A statement confirming the availability of the team members along with the team leader to conduct this assignment
3. A copy of recent CV of the team members (which must include information about the qualifications held by the candidates), including a list of previous assignments that are relevant to the subject matter of this assignment.
4. An example of recent VCA study
5. Atleast two referees (including name, affiliation, phone number and email address).

The **deadline to submit the application** is 17.00 hrs India Standard Time **Thursday, 27 January 2022**. Please send an e-mail with the subject header “**Value chain analysis of Garments and Textiles sector in Andhra Pradesh and Odisha, India**” to Ms. Sudipta Bhadra, [bhadra@ilo.org](mailto:bhadra@ilo.org).

Short-listing process is expected to be completed by end-January 2022. Only successful applicant will be informed of the selection.

## Annex 1: Value chain analysis research framework

### Summary of key steps

1. Analyse current functioning of the value chain, 'supporting functions' and 'rules'
2. Identify new products and markets
3. Prioritise constraints and opportunities, including value added at each stage (that is, margins)
4. Produce upgrading strategy for the value chain

Topic	Sub-topic	Questions	Methods
<b>1. Analyse current functioning of the value chain, 'supporting functions' and 'rules'</b>			
<b>Core value chain</b>	Actors and functions	<ul style="list-style-type: none"> <li>• What different products are produced and sold in the value chain in each select sub-sector in AP and Odisha (to be mapped into primary, secondary and tertiary category)?</li> <li>• What actors are involved in the chain and what functions does each actor perform in AP and Odisha (and if links are beyond states, then other states/ pan-India)?</li> <li>• For each category, how many actors are involved, where are they located and how big are they (in terms of employees, volumes, turnover) in both states?</li> <li>• What percentage of products go through different supply channels?</li> <li>• What is business operation model and local comparative advantage (if any) including market systems flow?</li> <li>• Prevalence of informality among the economic units and workers and its impact on productivity and efficiency of the overall value chain?</li> </ul>	<ul style="list-style-type: none"> <li>• Survey</li> <li>• Interviews and focus group discussions with value chain actors</li> <li>• Secondary sources</li> </ul>
	Existing end markets	<ul style="list-style-type: none"> <li>• What existing markets (domestic and international) exists for garments and textiles?</li> </ul>	<ul style="list-style-type: none"> <li>• Survey</li> <li>• Interviews and focus group discussions with value chain actors</li> <li>• Secondary sources</li> </ul>

		<ul style="list-style-type: none"> <li>• For each product, what is demand, supply, competition and price at the different existing markets? What are the likely future trends?</li> <li>• For each product, what are the requirements of the existing markets? (eg. Quality requirements, Environmental and labour standards, minimum volumes, etc)</li> <li>• Who are the big market players (domestic and international) and their sourcing share from AP and Odisha?</li> <li>• What are the constraints for corporates/buying houses/ lead brands (in India and international) in sourcing from AP and Odisha?</li> </ul>	
	Value capture	<ul style="list-style-type: none"> <li>• How much value is captured by different actors in the chain?</li> <li>• What potential exists to increase the value captured by MSMEs?</li> <li>• What potential exists in progressing to development of garment sector and establishing apparel manufacturing units?</li> </ul>	<ul style="list-style-type: none"> <li>• Survey</li> <li>• Interviews and focus group discussions with value chain actors</li> <li>• Secondary sources</li> </ul>
	Firm-level practices and performance	<ul style="list-style-type: none"> <li>• What management practices are used by each actor for operations in the value chain (forward and backward linkages)?</li> <li>• How well are firms performing key business functions? eg. marketing, financial management, production practices, stock management, workforce management etc</li> <li>• What are the key causes for underperformance and low value addition?</li> <li>• What are the working conditions and profile of the workforce?</li> <li>• What are the key causes limiting growth and expansion of existing MSMEs and diversion and progression higher in the value chain?</li> </ul>	<ul style="list-style-type: none"> <li>• Survey</li> <li>• Interviews and focus group discussions with value chain actors</li> <li>• Secondary sources</li> </ul>
	Relationships between actors	<ul style="list-style-type: none"> <li>• What linkages exist between actors of the <u>same type</u> and what are the characteristics of these relationships?</li> </ul>	<ul style="list-style-type: none"> <li>• Survey</li> </ul>

		<ul style="list-style-type: none"> <li>• What linkages exist between <u>different types of actors</u> and what are the characteristics of these relationships?</li> <li>• Who decides what is to be produced and how?</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews and focus group discussions with value chain actors</li> <li>• Interviews with sectoral specialized agencies</li> <li>• Secondary sources</li> </ul>
<b>'Rules' and 'supporting functions'</b>	'Supporting functions': Infrastructure, coordination, R&D, information, skills & capacity	<ul style="list-style-type: none"> <li>• What 'supporting functions' (including initiatives/ schemes as well as implementation capacity and structure) are required for the effective functioning of the value chain?</li> <li>• Do they exist (functioning of field institutions is implicit) and, if so, how well are they performed?</li> <li>• What are the underlying causes of poor performance (including access to technology, infrastructure, capital, informality, technical know-how, and others)?</li> <li>• What are the underlying causes of informality in the sub-sectors (workers and economic units)?</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews and focus group discussions with value chain actors</li> <li>• Interviews with stakeholders from the broader market system</li> <li>• Interviews with sectoral specialized agencies</li> <li>• Secondary sources</li> </ul>
	'Rules': regulations, standards, laws and informal rules	<ul style="list-style-type: none"> <li>• What 'rules' are required for the effective functioning of the value chain?</li> <li>• How effectively are 'rules' created, communicated and enforced?</li> <li>• What are the underlying causes of poor performance?</li> <li>• What trade agreements / rules, import duties or perceived non-tariff barriers are limiting accessing the international market, including Korea?</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews and focus group discussions with value chain actors</li> <li>• Interviews with stakeholders from the broader market system</li> <li>• Interviews with sectoral specialized agencies</li> <li>• Secondary sources</li> </ul>
<b>Labour, gender, conflict and environmental impact</b>		<ul style="list-style-type: none"> <li>• What negative impacts on labour (in particular, migrant), gender, conflict and environment are caused by the current functioning of the value chain?</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews and focus group discussions with value chain actors</li> <li>• Interviews with sectoral specialized agencies</li> <li>• Secondary sources</li> </ul>
<b>2. New products and markets</b>			
<b>New products and markets</b>	New products	<ul style="list-style-type: none"> <li>• What new product lines could be manufactured in AP and Odisha?</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews with sectoral specialized agencies</li> <li>• Secondary sources</li> </ul>

		<ul style="list-style-type: none"> <li>• What are the missing segments (ancillary or supporting businesses) in the value chain impeding venturing into new products?</li> <li>• What are the constraints to MSMEs / new enterprises that might start operating in AP and Odisha?</li> </ul>	
	New markets	<ul style="list-style-type: none"> <li>• What new potential markets (domestic and international) exist?</li> <li>• What are their requirements?</li> <li>• How big is demand from these markets?</li> <li>• How big is the current supply and what are the characteristics of the competition?</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews and focus group discussions with value chain actors</li> <li>• Interviews with overseas buyers (including, South Korea)</li> <li>• Secondary sources: eg. industry journals, market research, government statistics</li> </ul>
<b>3,4 and 5. Identify priority constraints, opportunities and risks</b>			
<b>Prioritise constraints</b>		<p>Considering all of the above, what are the priority constraints that should be addressed in the value chain, taking into account:</p> <ul style="list-style-type: none"> <li>• Potential positive impact of overcoming the constraint</li> <li>• Feasibility</li> <li>• Risks</li> </ul>	<ul style="list-style-type: none"> <li>• Further analysis and additional research by the consultant</li> <li>• Validation workshop with value chain actors</li> </ul>
<b>Prioritise opportunities</b>		<p>What are the highest priority market opportunities that the value chain should focus on accessing, taking into account:</p> <ul style="list-style-type: none"> <li>• Feasibility</li> <li>• Potential positive impact</li> <li>• Risks of negative impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Further analysis and additional research by the consultant</li> <li>• Validation workshop with value chain actors</li> </ul>
<b>6. Produce upgrading strategy for the value chain</b>			
<b>Upgrading strategy</b>		<p>In collaboration with relevant stakeholders, produce an upgrading strategy for the value chain, including:</p> <ul style="list-style-type: none"> <li>• Overall vision and strategic aims for the value chain</li> <li>• Planned changes and capacity building in the MSMEs within the value chain that would achieve the overall aims</li> <li>• Planned changes to transform MSMEs to net job creators and providers</li> </ul>	<ul style="list-style-type: none"> <li>• Further analysis and additional research by the consultant</li> <li>• Planning workshop with value chain actors</li> </ul>

		<ul style="list-style-type: none"><li>• Opportunities for setting new businesses to plug the missing segments in the value chain</li><li>• Planned approaches towards formalisation the value chain and integration of traditional communities</li><li>• Planned changes to the 'rules' or 'supporting functions' that would help achieve the overall aims</li><li>• Engagement models with brands, e-commerce buying house and international players</li></ul> <p>This should be planned taking into account:</p> <ul style="list-style-type: none"><li>• Feasibility</li><li>• Potential positive impact</li><li>• Risks of negative impacts</li></ul>	
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