

Lessons from Scaling Up

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Developing Value Chains for Wool – *Lessons from Mongolia*

The new “Lessons from Practice: Assessing Scalability” report aims to provide specific tools and guidance to World Bank Task Team Leaders (TTLs) and other agricultural development specialists which can assist them in identifying the potential for scaling up small, innovative projects throughout the entire project cycle – from inception through completion. The report, developed in collaboration with the Heller School for Social Policy and Management at Brandeis University, draws on lessons from the experience of the Development Marketplace (DM) in funding small innovation projects and offers strategic advice to agricultural practitioners on assessing the scalability of such projects. This Note is based on a case study from Mongolia from the report.

Effective agricultural interventions need to be scaled up in order to improve global poverty reduction efforts. However, it is also imperative that key lessons and recommendations be identified which can help highlight the most necessary components to ensure these interventions are properly scaled up. Recognizing this need for scaling up lessons and recommendations, ARD conducted a case study of the “Value Chain Development of Textile Products” project in Mongolia in order to identify some of these critical components. This case study explored the lessons from a joint World Bank Development Marketplace -Voluntary Service Overseas (VSO) project, which focused on (1) improving the quality of raw Mongolian Cashmere, yak wool, and sheep wool; (2) strengthening linkages within the entire cashmere and wool value chain – from herders to manufacturers; and (3) increasing the international competitiveness of firms that produce high quality final goods in Mongolia.

In order to facilitate these changes, the project introduced a local grading laboratory for quality cashmere produces, provided a reliable source of market information through radio programs and other methods, and provided capacity building programs to address shortfalls in infrastructure, knowledge and capacity along the textile value chain in Mongolia. These efforts have improved the livelihoods of beneficiaries in four areas in Mongolia through training in grading and marketing for herders, provision of equipment to herder associations, the establishment of a grading facility and improvements in manufacturing techniques. Furthermore, this project also highlighted the importance of a well structured Theory of Change (TOC) for success and provided key insights into other critical elements for successful scaling up.

THEORY OF CHANGE (TOC)

One key recommendation for the new report – derived from this case study and two others – emphasizes the need for a simple and effective **Theory of Change (TOC)**. This project’s TOC rests on the claim that improving the average grade of fiber and formally certifying this improvement can serve as a catalyst for increased benefits for all sectors in the value chain. This TOC targeted the problems of the quality of raw material and the development and consolidation of the whole value chain within Mongolia. In order to bring about this Theory of Change, training and information was provided to herders to increase their awareness of the benefits of improved quality – increasing incentives to improve and certify the quality of their raw products. A fiber grading laboratory was established outside of the capital, Ulaan Baatar, in order to make access to these services easier and more affordable. These activities focused on changing the asymmetries in grading information which left producers of



Shearing sheep in Selenge Aimag, Mongolia
 Photo: Sally Mayberry / World Bank





raw materials disadvantaged in regards to both price negotiations as well as knowledge necessary to improve the quality of their animals' natural fibers. Furthermore, value was also added at both the household and manufacturing levels through the provision of training and equipment for home production of woolen and cashmere goods and the strengthening of vertical connections in the value chain which lowered transaction costs and raised the percentage of raw material sold to national factories.

This project's focus on the entire cashmere and wool product value chain was a key aspect of its innovativeness and overall effectiveness. By addressing not only the quality of the raw material, but the timeliness and appeal of product design, the quality of final products, and the effectiveness of national and international marketing this project was able to design an effective TOC which strengthened linkages between all areas along the value chain.

LESSONS FOR SCALING UP

There is now a clear interest among stakeholders in Mongolia to continue with this project and scale up these innovations. Demand continues among herders who participated in the original project for further training and technical assistance. This demand also exists among other herders wishing to benefit from the program through participation. Manufacturers seeking an expanded supply of high-grade cashmere and wool also welcome the larger arena of raw material sources which could be created through the scaling up of this initiative. This desire for scaling up among beneficiaries is augmented by a series of lessons which can inform the scaling up process. Among the most effective lessons showcased by this project is the **local legitimacy and ownership** it has garnered among primary beneficiaries. This ownership provides a critical driver for scaling up the successful elements of this intervention and helps to ensure the ultimate sustainability of project initiatives. This drive is coupled with clear spaces which have been created by this innovation. VSO has already established strong ties in the region and has government backing to expand this project to reach more herders in more areas throughout Mongolia. Another key lesson for scaling up illuminated by this project is the importance of appropriate **incentives** for facilitating the desired Theory of Change and creating the necessary drivers and spaces for effective scaling up. Throughout this project economic incentives were emphasized along the textile value chain in Mongolia.

Project Benefits

- Increased incomes and more secure, stable livelihoods for herders
- Mongolians benefit from increased consumption by herders and added employment opportunities from sorting operations
- Some traders will benefit from increased income and a more stable market system.
- Manufacturers will benefit from reduced transportation costs, a greater supply of high quality fiber, lower transactions costs, better design and increased international sales.
- Mongolians benefit from the retention of more value added from the cashmere and wool industry

The establishment of a local grading facilities incentivized herders to improve their wool, providing manufacturers with increased quality for production. Furthermore, training and other capacity building mechanisms implemented during this project helped ensure that these incentives reached as far down as the household production levels – providing economic incentives for the most vulnerable participants in this value chain.

CONCLUSION

The *Value Chain Development of Textile Products* project in Mongolia was an innovative intervention which provided both economic improvements along the value chain and important lessons on how these improvements can be scaled up further. This project targeted strategic stakeholders and beneficiaries along the textile value chain, helping to provide economic incentives for herders, manufacturers, households and others. In addition to creating appropriate drivers and spaces for scaling up to occur, these incentives were instrumental in bringing about a Theory of Change embraced by the local beneficiaries – thus helping to ensure maximum benefit and long-term sustainability of this intervention and lay the groundwork for effective scaling up.

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