



Bundesministerium für  
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**Concluding remarks at the international conference on  
Value Chains for Broad-Based Development  
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Ladies and gentlemen,

- Over the past two days you have engaged in intensive debate about the **value chain approach**, its various facets and challenges.
- Yesterday, you were presented with a **variety of perspectives**:
  - firstly, the **perspective of our partner countries** and their expectations of the value chain approach with a view to poverty reduction; we have learned that governments can provide an enabling environment and also infrastructure. Important: have in mind **local, regional** and **national government**.
  - secondly, the **perspective of the private sector** – its representatives drew attention to the **people**, using the metaphor of cooks and their recipes;

- thirdly, the **perspective of development cooperation and development policy players**, who subjected their multifaceted approaches and strategies to a critical examination and discussion; and
- from an **analytical point of view** we have learnt that there are **trade-offs** that need to be addressed; however value chain approach is a viable analytical tool to analyze the different stages of value addition.
- In the past two days, you have **discussed** a variety of **strategies and approaches and exchanged experience** regarding how to increase the proportion of value added in developing countries. The **focus** was specifically on **how to enhance the inclusion of the poor in local and regional value added – these that aren't competitive yet.**
- **Poverty reduction is the central goal of our efforts as development policymakers and practitioners.** 2007 marks the **halfway date on our way to achieving the Millennium Development Goals.** From our point of view, there is no doubt that we can achieve the MDGs, especially the goal of halving the proportion of people living in absolute poverty. However, a great deal of **effort** is still **needed** to that end. Our conference has shown that the **value chain approach is one building block** in a complex puzzle of measures.
- **Especially today**, on this second day of our conference, we have learned about, and discussed, the applicability of the value chain approach to a **vast range of sectors.** We have seen that the **food industry** (including

fishery products) continues to play a major role in practice. However, there are now some highly interesting and promising approaches in other sectors as well, for example in the **pharmaceutical sector**.

- **At the beginning of our conference**, the Parliamentary State Secretary in the Federal Ministry for Economic Cooperation and Development presented us with a **number of vital questions**. Now, at the end of our conference, I would like to come back to these questions and take a look at the insights which we may derive from our discussions of the past two days.

- The **first question** related to the fundamental goal of our work – poverty reduction, which, in the context of this conference, means a focus on **local value added processes**:

*>> How can we make sure that the value chain approach has a broad effect, actually reduces poverty and includes poor population groups?*

- **It is not a new realization that economic growth is a must, but needs to be given direction so as to be pro-poor and needs to create value added on the ground, in our partner countries.**
  - This means that we need to **enhance the productivity** of micro, small and medium-sized enterprises by reducing regulatory barriers and enhancing capacity.
  - At the same time we have to **increase the competitiveness** of these producers. In one of the working groups we have heard that

corruption costs play a crucial role on the final price of a product and therefore for the return for private companies. Thus, we should put our efforts into well-functioning markets.

- The **competitive advantages of producers** in developing countries must be identified and put to use, and this goes beyond the advantage of "low labor cost." In that context, **social dumping and a race to the bottom must be prevented**. The introduction of, and compliance with, social standards is a very helpful tool in this regard – not only with a view to protecting producers in developing countries but also as an active ingredient to competitiveness. We – and I think I can also speak for our Swiss colleagues - regard the **Common Code for the Coffee Community (4C)** as such an approach. We are hoping that it will help enhance value added even for small producers and help reduce poverty.
- Enterprises, and especially small and medium enterprises, must be given **better access to those resources** which are needed for successful business activity and investment: access to technology, information and know-how, as well as access to financing opportunities (credit) and infrastructure. We are supporting our partner countries in building such an environment.

- The **second question** focused more on the **creation of regional and global value chains**:

*>> How can we ensure that as many actors/branches as possible are included in value added?*

- This is where **policymakers come in**. They need to create an appropriate **regulatory environment**. **Trade and investment policies** must be designed in such a way that they do not only maximize trade and investment flows but also the benefit arising to countries as a result of them.
- In doing so, **Public Private Partnerships** are an important tool to initiate the building of industries because it is the private sector that acts as a vehicle for economic growth. There are some promising examples in our partner countries. In one of the working groups today we have learnt that this is an approach we, as donors, should build on!
- Thus, the **liberalization of flows of goods and investment must be placed at the service of poverty reduction**. Increased domestic value added is an important element in that regard.
- However, policymakers also have to ensure that there are **institutions** which help pass on valuable insights gained at one enterprise (provided they are not corporate secrets) to other enterprises so that they, too, may benefit from them. I am thinking, in particular, of meso-level

institutions, which do important work in the area of advisory services and with a view to enhancing market transparency.

- Finally, the **third question** addressed the requisite environment (both in **developing** and in **industrialized countries**) for enhanced value added:

*>> How can value added be kept in the country or in the region if possible? How can we prevent a situation in which developing countries only provide raw materials or are only involved in low-value-added production stages?*

- At yesterday afternoon's **panel on Economic Partnership Agreements**, it became clear that market access constitutes an important prerequisite for developing countries to succeed, but that market access alone is not enough.
- **As far as market access is concerned, we in the EU have already made good progress compared to other industrialized countries.** Just take the Everything But Arms initiative for LDCs, and, in future, the EPAs. We also need to ensure that **tariff escalation will no longer play a role** in the future agreements as regards processed agricultural goods, because the EPAs are development instruments. We are working for the conclusion of pro-development agreements that really deserve this name!

- A matter of equal importance is **simple and transparent rules of origin**.
- Non-tariff **trade barriers, for example technical and sanitary standards**, have now become the greatest **market barrier** for many of our partner countries as they try to enter industrialized countries or global value chains.
- Another insight that became clear is that **economic reforms must also** be carried out **in our partner countries**, and they must be implemented with determination!
- And what is just as important is **fostering** the provision of **services that are often vital to the competitiveness of the production of goods, such as banking and insurance services**, especially for small and medium-sized enterprises.
- So one important element of our development cooperation must be support for our partner countries and for the private sector on the ground with regard to **setting up the relevant quality assurance infrastructure**. Even the best market access is no good if products from developing countries do not meet industrialized countries' quality standards and are thus rejected at the border.
- We therefore support both the private sector and governments in setting up their own **quality management systems**.

- **We need to address all of these issues if we want to make the value chain approach a success!**
- For identifying the various challenges for development in our partner countries the **value chain approach can be used as a proper analytical tool as it reveals the various steps of gaining value.**
- As not each and every donor can engage in each and every step of the value chain, we have to ensure a **reasonable division of labour** between us. Some will engage in creating an **enabling environment**, others in enhancing **product quality and standards**, and again others **in bringing the various stakeholders together to develop an export strategy.** We have seen that here some efforts are still to make!
- Our exchange over the past two days has been very helpful in that regard. This has only been possible thanks to your active participation and valuable input, for which I would like to thank you most cordially.
- **Some of you** will be traveling home today. **Others** will stay on in Berlin to participate in follow-up meetings at *GTZ-Haus* tomorrow or to do some sightseeing in Berlin.
- I wish you all a safe trip home and every success in your future activities related to the value chain approach!