



Federal Ministry
for Economic Cooperation
and Development

International Conference: Value Chains for Broad-based Development

30 May – 1 June 2007, Berlin



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
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Swiss Agency for Development and Cooperation SDC

State Secretariat for Economic Affairs SECO

gtz



Partner

Federal Ministry for Economic Cooperation and Development (BMZ)

The development policy of the Federal Republic of Germany is an independent area of German foreign policy. It is formulated by the Federal Ministry for Economic Cooperation and Development (BMZ) and carried out by the implementing organisations.

The BMZ draws up the German government's development policy guidelines and fundamental concepts and lays down the long-term development cooperation strategies and defines the rules by which they are put into practice.

GTZ

As an international cooperation enterprise for sustainable development with worldwide operations, the federally owned Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH supports the German Government in achieving its development-policy objectives.

It provides viable, forwardlooking solutions for political, economic, ecological and social development in a globalised world. Working under difficult conditions, GTZ promotes complex reforms and change processes. Its corporate objective is to improve people's living conditions on a sustainable basis.

CTA

CTA (Technical Centre for Agricultural and Rural Cooperation ACP-EU) was established in 1983 under the Lomé Convention between the African, Caribbean and Pacific (ACP) states and EU member states. Since 2000 CTA has operated within the framework of the ACP-EU Cotonou Agreement. CTA's mission is " [...] to strengthen policy and institutional capacity development and information and communication management (ICM) capacities of ACP agricultural and rural development organisations". Approximately 8,000 ACP organizations benefit each year from CTA's products and services including new and innovative services such as its e-services while maintaining its more conventional services such as print-media, radio, seminars and training. For more info on CTA, please visit: www.cta.int

SDC

The Swiss Agency for Development and Cooperation (SDC) is Switzerland's international cooperation agency within the Federal Department of Foreign Affairs (FDFA). In operating with other federal offices concerned, SDC is responsible for the overall coordination of development activities and cooperation with Eastern Europe, as well as for humanitarian aid.

Abstract

German Development Cooperation (BMZ and GTZ), Swiss Development Cooperation (SDC and SECO) and the Technical Centre for Agricultural and Rural Cooperation (CTA) called an international conference on “Value Chains for Broad-based Development“, which was held in Berlin on 30-31 May 2007. Around 200 experts in the field of value chain promotion participated. The conference was complemented by a follow-up meeting on 1 June involving representatives of major development agencies active in value chain promotion.

The objectives of the conference were to take stock of the practical experience gathered to date, and to seek to establish how value chain work can become more socially inclusive by benefiting a greater number of the poor and by securing their participation in the market.

The conference produced the following six key statements:

- The value chain approach reduces poverty if it is employed strategically and concentrates on targeting the problem of poverty;
- Choosing the right market and determining an appropriate market development strategy are of great importance;
- Development agencies need to promote the innovation of products and business models;
- Cooperation between development agencies and the private sector is a precondition *sine qua non*;
- The greatest outreach can be achieved by supporting an active economic policy for those industries and value chains that are most relevant to the poor;
- Donors must cooperate more intensively to improve their efficiency and effectiveness.

During the follow-up meeting, participants agreed on the need for much closer collaboration, especially at country and regional level. Internationally, the “Donor Committee for Small and Medium Enterprise Development” and the “Global Donor Platform for Rural Development” are engaged in fostering donor coordination.

The presentations and speeches delivered at the conference are published on

<http://www.value-links.de>.

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Introduction

Promoting value chains has become an important field of economic cooperation. Today, many development programmes build on market incentives and assign an important role to the private sector in sustainable development. This strategic choice is motivated by the consequences of economic globalisation: the rules of competition – in global as well as in domestic markets – are changing owing to trade liberalisation, rising quality demands and the vertical coordination of production and marketing activities.

The most challenging question for development policy is how to make this process more socially inclusive. Economic development has to be pro-poor and improve the position of small enterprises and farmers and the working poor.

After several years of implementing value chain (VC) promotion projects, it was time to take stock and answer the following question: Are these efforts actually contributing to broad-based poverty reduction?

The conference “**Value Chains for Broad-based Development**”, held from 30 May to 1 June 2007 in Berlin, sought to assess the conceptual progress made with the VC promotion approach. The conference brought together around 200 practitioners, national policymakers and representatives of international development agencies active in the field of VC promotion.

The aim of the conference was to further the conceptual progress of VC promotion, focusing in particular on the following three lead questions:

- **How can we maximise outreach of VC promotion?**
- **How can we avoid a race to the bottom?**
- **How can we enhance the effectiveness of capacity building?**

A general question concerned realistic options for producers and workers at the margins and at risk of being squeezed out. An important issue discussed was also the actual pro-poor growth potential of markets with low entry barriers, which are often characterised by a downward trend of sales prices. The widespread focus on niche markets also poses some questions. While niche markets are certainly interesting for small-scale producers, the number of potential beneficiaries is limited – and thus the efficiency of development activities. In summary, VC promotion for development not only has to be pro-poor, it also has to achieve a broad-based outreach.

A pre-conference day was organised on 29 May 2007, with the aim of exchanging knowledge and experience among Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) practitioners working in different regions. Then, during the conference a poster session gave development organisations the chance to exhibit current projects and to illustrate best practices.

The conference was a collaborative event involving development agencies working in the field. It was prepared by GTZ on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). The conference was furthermore supported by the Technical Centre for Agricultural and Rural Cooperation ACP-EU (CTA) and the Swiss Agency for Development and Cooperation (SDC, together with the Swiss State Secretariat for Economic Affairs (SECO)).

- >> [Programme](#)
- >> [List of participants](#)
- >> [Poster session](#)

1. Setting the Scene: Introduction of Key Hypotheses and Questions

In her opening speech, **Karin Kortmann**, Parliamentary State Secretary of the BMZ, underlined the importance of the issue of value chains for development policy. To fight poverty successfully, she concluded, we must address several levels. At the international level, we need to improve the general environment so that developing countries can become more integrated in the world market. This includes the successful conclusion of the Doha development round. In our partner countries, the basis for pro-poor economic growth and trade must be put in place. This means improving the productivity of micro, small and medium-sized enterprises (SMEs) by reducing regulatory barriers; providing access to technology, financing and infrastructure; and building well-functioning markets. In the industrialised countries, we need to change our respective policies so as to give developing countries a chance to benefit from their comparative advantages. This means improving rules of origin and market access.

>> [Opening Speech](#)

Cornelia Richter from GTZ emphasized that without strong economic growth there is little chance to overcome the poverty problem. The concept of VC promotion is a means to identify and develop the unused market potential in poor countries. It is a strategy for economic growth – for creating value added. The idea is to systematically promote the opportunities by harnessing market incentives and private investment as driving forces for development. The most challenging question for development policy is how to make economic growth socially inclusive. GTZ has 51 running projects directly dealing with the development of value chains. The sectoral involvement covers the food sector in the first place, but also other sectors like fisheries, textiles, leather, furniture, rubber products, pharmaceutical products, transportation, automobile and the service sector are targeted. GTZ has been pursuing two approaches to promote the sector and benefit farmers: One approach is to develop value chains for specialty market segments; another one is to facilitate the negotiation and introduction of social and ecological standards.

>> [Presentation](#)

Based on **SDC's** past experiences with value chains, **Peter Tschumi** presented three hypotheses for VC promotion. In the first, he emphasised that value chains can be relevant for pro-poor growth. However, strategies need to be put in place to ensure that they support the poor, and do not exclude them. Thus, VC promotion should include rural areas, agriculture and natural products; value chains should follow the market, but also include environmental standards, and provide decent work. The second hypothesis is that VC promotion should not only concentrate on global markets, but also local ones. 90% of all agricultural produce never crosses borders but is consumed domestically. Work in these markets can also lead to sustainable employment creation and increased income, thereby significantly adding to poverty reduction. In his third hypothesis, Mr. Tschumi underlined that VC development is only one of many approaches for sustainable economic development. To achieve the maximum impact, it is important to strive for comprehensive approaches that uses a number of different methods. He concluded by examining the future role of donors such as the SDC: in his opinion, their role is shifting from being merely finance providers to facilitators, providers of negotiation platforms and knowledge brokers.

>> [Presentation](#)

Stefan Denzler introduced the work of **SECO** on trade promotion, which is built on three pillars: 1) export promotion, which includes the diversification of exports and support to make export and commodity sources sustainable, e.g. through standards and eco-efficiency; 2) work on the institutional environment, which is also an important aspect of SECO trade promotion; and 3) the import promotion of developing countries to Switzerland and Europe, including work on trade fairs, as well as preferential schemes such as fair trade. In terms of VC promotion, this leads to a number of aspects that should be focused on. SECO mainly works on international value chains, and aims at supporting existing economic potential. The agency also emphasises the importance of making use of existing knowledge and experience by including the private sector in its projects. SECO fosters cooperation between the public and the private sector in developing countries, and seeks to mainstream minimum environmental and social standards. At the same time, small producers are supported to enable them to comply with these standards.

Hans-Jörg Neun from **CTA** stressed the need for information, communication and their relation to poverty reduction. In his view, information is often not correctly valued, even though market information with the help of rather simple measures such as rural radios can significantly improve farmers' business opportunities and thus increase their incomes. CTA supports communication and information projects, and urges other donors to do the same to achieve their development goals.

2. The Value Chain Approach from Different Perspectives

A panel consisting of Thomas Aquino (Ministry of Trade, the Philippines) Hans Jöhr (Nestlé) Kerstin Lanje (Germanwatch) and Tilman Altenburg (the German Development Institute) discussed the role of the state, and the relevance of the VC approach, as seen from the different perspectives of governments, the private sector, the NGO community and development research.

For **Thomas Aquino**, representing the Ministry of Trade of the Philippines, economic growth achieved via a market-based approach is essential to ensure development for all. However, it is equally vital that the burden that inevitably comes with a shift to a more market-based economic system is shared between the various stakeholders. In the case of the very poor, who are not endowed with the necessary assets to gain from more market opportunities, a pre-market stage might be the best solution. In his opinion, the role of the government should be to develop supportive policies and to create a sound policy environment. At the same time, it is also the government's job to prevent a so-called race to the bottom, and in this regard local institutions have an important role to play.

Hans Jöhr from Nestlé argued that companies are the central actors in an economy, and suggested that the role of government is rather to create an enabling environment than become an actor by itself. To be successful, companies need to focus on consumers and meet their needs. Companies therefore work closely with their VC suppliers, as they need quality resources. In his view, each value chain and each Public Private Partnership (PPP) is different, and it is thus not possible to develop a general academic intellectual approach. Instead, a focus on people and people management is a key in each value chain. To make value chains work, the mindset of people needs to be changed rather than institutions being built. However, governments do have a role to play in general, as it is not the private sector's responsibility to set standards, but rather to develop these jointly with the public sector.

Kerstin Lanje from Germanwatch pleaded for a more holistic approach to VC development. Agriculture in particular is a very complex system that cannot be adequately addressed by an overly narrow focus on export production. She argued that first of all, the domestic market should have priority in order to ensure food security in developing countries. Furthermore, integration in global value chains is often only possible for rich and well-off farmers, while smallholders are displaced and left to sink into greater poverty. To improve the livelihood of poor people in developing countries and to reduce poverty, she argued that several important issues must be taken into account, such as the need for a change in the general consumption patterns of retailers as well as consumers in the direction of more fair trade and regional products. In similar fashion, the global policy environment also needs to change: the current international trade system hurts small farmers and poor people by subsidising agricultural exports to developing countries which then destroy local markets.

Tilman Altenburg from the German Development Institute (DIE) called for a more specific definition of the VC approach. While technically every economic activity is part of a value chain, a more specific definition would help to focus activities. In his view, the VC approach is a useful analytical tool that improves our understanding of developmental dynamics and can inform policymakers. In contrast to standard trade theory, the VC approach also allows power relations to be analysed, for instance the impact of lead firms on other actors in the chain. It is important to remember that the promotion of value chains also includes certain trade-offs that donors need to analyse, such as inclusiveness vs. efficiency or standards vs. costs. However, he criticised the fact that such thorough analyses, including a long-term perspective, are rarely realised before the start of a project. Regarding the role of the state, he agreed that the state needs to ensure an enabling environment. The right balance has to be found between ensuring the freedom of the markets and active government support to let the economy deliver for the poor.

The discussion touched on several of these issues. As a comment on Kerstin Lanje's proposal to increase the local sourcing of supermarkets in developing countries, participants commented that, even though supermarkets are interested in buying local products, they do not have the possibility to do so because they lack farmers that they can rely on in terms of delivery, food quality, etc. There is a definite need to improve supply-side capacity in developing countries. On the other hand, the problem of market concentration in the retailing sector was mentioned, which gives major retailers the power to manage and also often exploit their suppliers.

Another comment addressed the issue of policy space: it was argued that the ability of developing countries to implement supportive policies for their industries is increasingly restricted by the international trade regime. More flexibility – e.g. in the context of TRIPS and TRIMS¹ – would enable developing countries to implement their own development agenda.

Other questions circulated around the use of the VC approach. Some argued that it is a useful tool to analyse where a value chain fails; others went further and underlined that it is not only analytically very useful, but also a good practical tool for development projects.

One final comment was made regarding lead firms and branding: while it is true that VC suppliers can profit from using the brand name of a lead firm, there is also the possibility to develop local brands and thus achieve higher value added.

¹ Short for Trade-Related Intellectual Property Rights and Trade-Related Investment Measures.

3. Development Approaches

In the following session, representatives of the World Bank, German Development Cooperation, the US Agency for International Development (USAID), the International Labour Organization (ILO), the International Trade Centre (ITC), the Inter-American Development Bank and SECO presented the particular aspects of their VC approaches and discussed how the international development community can meet the challenge of achieving broad-based development.

Uma Subramanian from the Foreign Investment Advisory Service (FIAS) underlined that VC development supports job creation, increases a country's market share and generates investment. However, in order to strengthen competitiveness, input and transaction costs need to be reduced, and productivity and market access (especially taking tariffs and non-tariff barriers into account) must improve. In this regard, the sectoral focus of VC analysis helps trigger more comprehensive reform processes. Benchmarking performance indicators with global competition and best practices plays a key role in identifying priorities.

>> [Presentation](#)

Andreas Springer-Heinze from GTZ pointed out three criteria for selecting a value chain for promotion: its growth potential, the potential for adding value, and the possibility of participation for the poor. He stressed the importance of innovation in terms of identifying new products and new market opportunities. We cannot foster private sector development without the participation of private companies. PPPs have proven a powerful instrument in VC promotion. Social, ecological and product safety standards are not only in the public interest, but can also provide a way of increasing outreach.

>> [Presentation](#)

Jeanne Downing from USAID stressed the importance of having a competitiveness strategy focused on the end-market. Ongoing liberalisation means that the poor will be marginalised unless they can strategically position themselves in the market. She also underlined the importance that innovation can play. A VC development strategy should not only focus on export markets, as local as well as regional markets can both offer excellent potential. To gain access to markets, small upgrading steps are needed to increase productivity.

>> [Presentation](#)

Robert Zachmann from the ILO focused on the importance of labour standards in hindering a race to the bottom. In VC promotion it is absolutely crucial to strengthen competitive advantages and to increase the value added. VC policy has to take a systemic view. Three issues are in this regard important to address: human resource development, comprehensive policymaking leading to a sectoral policy that addresses productive and competitive sectors, and an emphasis on local development.

>> [Presentation](#)

Ian Sayers from the ITC pointed out the importance of a market-driven approach, even for marginalised communities. It is the markets that drive the structure and performance of a value chain, and therefore VC promotion strategies should be derived from market opportunities. VC promotion always includes elements of trial and error, because markets change. However, it is important to stimulate the business sector to try new ways and start economic activity. It is now time to learn from all the experiences of the different agencies.

>> [Presentation](#)

John Horton from the Inter-American Development Bank highlighted the importance of concentrating on adding value. This should be kept in mind when disaggregating the chain. The VC approach opens more entry points to gaining access to financial services, technology and markets. He moreover pointed to the challenge of contract farming: how to design a strategy that does not invite free-riders and risk squeezing smaller participants out of the market.

In view of the notable number of donors working on value chains, **Stefan Denzler** from SECO underlined the necessity of donor cooperation. Donor agencies should concentrate on the areas where they have a comparative advantage when consulting on value chains, and seek support from other donors in their respective field of comparative advantage. In addition, he argued that VC promotion should focus on high potential sectors that involve innovation and product development, to ensure sustainable interventions.

Andreas Gerrits from the SDC presented results of an online dialogue initiated by the SDC on value chains. The dialogue is designed to offer an informal platform for exchange and joint learning between practitioners and conceptualists engaged in developing value chains in rural areas. The results of the by now nine discussion cycles, with 120 participants, have recently been published in the working paper “Donor Intervention for Value Chain Development” (www.sdc-valuechains.ch). In his presentation, Mr. Gerrits distinguished between six levels of intervention where donor involvement can be relevant for VC development.

>> [Presentation](#)

In the discussion, the issue of the variety and coherence between the various VC approaches was again raised. Some participants argued that rather than just one approach, there are rather various ones. In addition, it was criticised that VC analysis is often not holistic enough, but only looks at firm-level problems, while not including the whole environment. Another participant asked how long-term sustainability of VC promotion can be ensured even after donor support has come to an end. Another comment related directly to the ITC’s trade statistics: it was argued that they should be a public good, as market information is essential for business development.

Jeanne Downing from USAID underlined the importance of a conceptual framework for VC promotion to address challenges systematically, such as power asymmetries. Robert Zachmann from the ILO argued that the challenge today is that policymaking cannot purely focus on the national sphere, but needs to take the international environment into account, which complicates policy formulation. Regarding the question of sustainability, Andreas Springer Heinze from the GTZ highlighted the fact that 95% of VC development takes place without donor agencies. In developed markets, institutions organise and regulate the market – so, to ensure sustainability, it is necessary to develop institutions. In addition, innovation is essential for sustainability. Ian Sayers from the ITC argued that to create sustainability, all actors must understand their interdependence and the consequent need for technology transfer. Regarding the question of ITC trade statistics, he was happy to announce that the ITC market analysis tools will be made freely available to certain countries. However, he also underlined that while market analysis is important, VC development is built on more issues than just market information.

Peter Tschumi from the SDC concluded the session by highlighting the most important areas of consensus and discussion points. While everybody agreed that context matters for VC promotion, there was much discussion on whether donors should go further into the conceptual development of the VC approach, or rather concentrate on practical strategies. It was widely accepted that donor agencies need to enter into partnerships with other donors and governments as well as the private sector. Such partnerships are also important to enhance the outreach of VC support. In general, upgrading, scaling up and outreach need to be improved. In addition, donors need to be flexible and adapt strategies and innovations, thereby keeping up with the private sector and the markets. However, as with all development policies, the VC approach does involve certain trade-offs, and these have to be kept in mind while making VC development decisions.

4. Can Economic Partnership Agreements (EPAs) Promote Value Chains? Learning from Good Experience in trade Policy

The EPAs were the starting point for a lively panel discussion during which some controversial views emerged. Evita Schmieg from the BMZ, Mike Matsebula from the Swaziland Sugar Association, Paul Brenton from the World Bank, Jacques Wunenburger from the EU Commission's Directorate General for Trade (DG Trade), and Peter G. Robleh from the United Nations Economic Commission for Africa (UNECA) discussed whether EPAs can be harnessed to promote value chains.

In her presentation, **Evita Schmieg** presented the background on why EPAs were introduced as a new approach to support economic development in Africa, Caribbean and Pacific (ACP) countries. The objective of EPAs is to reduce poverty by increasing competitiveness on the basis of deeper regional integration, thereby including integration in the areas of trade in services, investment and trade facilitation. However, this deep integration initially only covers the countries in the EPA regions, and the EU will only after a transition period take part as well. In addition to long transition periods for tariff reductions and safeguarding mechanisms, the EU also emphasises the importance of coherence between trade and development, and will thus support the ACPs during the EPA implementation phase so that they can fully benefit from increased trade.

>> [Presentation](#)

For EPAs to increase value added and reduce poverty in the ACP states a number of challenges need to be met. For example, they must be asymmetrical: in this regard, the EU has offered duty-free and quote-free access to all ACPs apart from South Africa on all products with the exception of sugar, rice and possibly bananas, which Mrs Schmieg interprets as an important step towards establishing development-promoting agreements. Another important challenge is the Rules of Origin, which need to be simplified and are currently under review in the EU. Beneficial regulations for developing countries in these areas represent important stimuli for their integration into global value chains. Regarding the timetable, all parties involved in the negotiations have repeatedly stated their interest in finalising the EPA negotiations on time, and Ms. Schmieg stated that she hoped that they will be concluded soon.

Mike Matsebula focused on the example of the Southern African Development Community (SADC) EPA and on sugar. He criticised the short time period that is left to negotiate the EPAs (the World Trade Organization (WTO) waiver runs out by the end of 2007), especially in view of the ten-month cessation of negotiations between the EU and SADC, caused by the EU's delay to respond positively to SADC's proposal to include South Africa in the EPA negotiations as well. In his view, the only way to finalise the EPA negotiations this year is to narrow the agenda and leave out trade-related issues, as there is not enough capacity on the side of developing countries to negotiate them. In addition, they do not have to be integrated into the EPAs to ensure WTO-conformity. Mr. Matsebula agreed that the EU's market access offer is very positive; however, with regard to the sensitive products of rice and especially sugar, he warned that the EU safeguard clause might impede increasing exports from the ACPs to the EU. He argued that the Rules of Origin are one reason why most ACP exports to the EU are rarely processed agricultural goods, as these products naturally comply with originating from the ACP. Furthermore, he expressed the hope that the EPAs will include more flexible Rules of Origin, which will facilitate the utilisation of preferences for manufactured goods as well, e.g. by allowing cumulation with non-ACP countries as well (comparable to the Rules of Origin of the US African Growth and Opportunities Act (AGOA)). He concluded with the request that SADC market access to the EU should be enhanced to meaningful levels, including liberalised Rules of Origin, and that the agenda of the EPA negotiations must be narrowed down.

>> [Presentation](#)

Paul Brenton's presentation delved deeper into the questions on Rules of Origin, given their critical importance for value chains. Besides being very complex, they represent a key trade policy issue. Rules of Origin are designed to prevent trade deflection, i.e. the transshipment of goods which originate from non-preferred trading partners through preferential areas such as the ACP; however, they are often designed in a way that actually restricts trade. In addition, these rules entail high compliance costs, which actually increase with the complexity of the rules. Comparing the EU and the US Rules of Origin under the AGOA agreement, he argued that less restrictive Rules of Origin can stimulate trade. The main arguments often used in favour of stricter Rules of Origin – that they encourage the development of local input suppliers and domestic integrated production chains – nevertheless this generates higher costs, and local input suppliers will only emerge if final goods producers are competitive – and vice versa. Second, provisions for cumulation are supposed to stimulate regional integration, yet this remains as yet unproven. Therefore, Mr. Brenton argued for more flexible Rules of Origin, suggesting that exporters should be able to choose between satisfying either a 10% value-added requirement, or a change of tariff heading in the EPAs. In his view, for the EPAs to be successful, they also need to be integrated into a global strategy for competitiveness, and should be a tool that successfully supports developing countries in becoming more competitive and integrating themselves into the world economy.

>> [Presentation](#)

Jacques Wunenburger from DG Trade responded to the arguments from the previous speakers. He argued that there is a need for local policies that are conducive to integrating value added into a product, as free trade alone cannot promote development. For instance, 74% of the current exports of the ACP to the EU are already under Most-favoured Nation (MFN) zero access and 23% enter the European markets on preferential terms, which has however not led to significant development. The European Rules of Origin are an instrument to prevent trade deflection and are also meant to ensure that value added is created in developing countries. Jacques Wunenburger agreed that some stringent Rules of Origin no longer fit the current production process; however, he also cited the example of Bangladesh, a country that rejected more liberal EU Rules of Origin as they felt they did not support developing their own industry. As another example, he mentioned Jamaican rum – the EU Rules of Origin prevent Jamaican rum producers from buying cheaper molasses in Brazil, thus obliging them to purchase sugar from Jamaican sugar smallholders and thus ensuring the income of the latter. According to Jacques Wunenburger, in these cases Rules of Origin have proven supportive of development. In addition, he argued that even very flexible rules do not guarantee income – the exports from the African least developed countries (LDCs) under AGOA declined sharply when China was also allowed greater access to the US market. Regarding cumulation, he cited Madagascar as an example where cumulation works, as they import garments from Mauritius. In addition, the ACP states have not yet provided the EU with their own proposal on Rules of Origin, despite the interest of the EU in such a paper. In conclusion, Mr. Wunenburger reiterated that EPAs can create a good trading environment, but are not a substitute for local policies, which are essential if more value added should take place in ACP countries.

Peter G. Robleh from UNECA agreed with the previous speakers that EPAs have a number of advantages that could help ACPs to gradually integrate themselves into world trade. However, he expressed his disapproval of current developments and the EU's current approach, which he characterised as "mercantilistic". Why are the ACP states asked to liberalise while the Northern countries keep subsidising their agricultural and industrial sectors?, he asked. Also, ACP countries do not have the capacities to negotiate the EPAs until 2007, so the time plan should not be set so tight. This would also be useful as the WTO negotiations are still ongoing; the EPAs should not be concluded before this in order to avoid rushing the ACP countries into making concessions in their EPAs that are not in line with the Doha Round. As the EU is now negotiating bilateral agreements, developing countries are split and cannot negotiate as one block as is the case in the WTO. Mr. Robleh agreed that the EU's market access offer is a positive step – however, its advantages are very much limited by Rules of Origin, safeguarding clauses and standards. In addition, he argued that the EU's tariff escalation regulations restrict value-added activities along the value chain in developing countries. A general problem is that

development issues are not included in the EPAs, but only in the Cotonou agreements, which makes the EPAs less supportive of development.

Due to time limits, the discussion was kept short. One discussant stated that he had heard that Germany is exploring the possibility of prolonging GSP plus (new Generalised System of Preferences) if the EPA negotiations are not finalised in 2007. However, Ms. Schmiege clarified that Germany assumes that the negotiations will be successfully completed this year and thus is not lobbying for GSPplus. She also clarified that tariff escalation is not an issue, especially not with coffee, as processed coffee from Ethiopia also has free market access to the EU under both the Cotonou and the Everything But Arms (EBA) preferences. Underlining the opportunities offered by the EPAs, Jacques Wunenberger pointed to the example of the East African Community (EAC), where trade liberalisation in the region has led to significant increases in trade. Regarding the question of why the EU does not wait for the Doha round to be finished to negotiate the EPAs, he reminded participants again of the expiry of the Cotonou preferences by the end of 2007 due to the expiry of the WTO waiver. Paul Brenton commented on Mr. Wunenberger's examples regarding the positive effects of Rules of Origin: he argued that in Bangladesh only the textile sector has benefited from such rules, whereas the clothing sector – which is considerably larger with most of the jobs carried out by women, but not as well organised – has suffered from strict rules forcing companies to buy local inputs even if these are uncompetitive. He also commented that levels of debt in the Caribbean are high due to the sugar sector, and argued again that Rules of Origin are not the right instrument for structure adjustment. Rather, aid for trade can be used to increase quality and value added in developing countries. Mike Matsebula repeated his advice to narrow the EPA agenda, while Peter G. Robleh underlined that ACPs would very much like to graduate from preferences; however, the current EPAs are not sufficiently development-oriented to achieve that goal.

5. Working Group Results

On the second conference day, four parallel working groups were organised to enable an exchange of practical experiences and to further conceptual work. They explored the three key questions of the conference: How can we maximise the outreach of VC promotion? How can we avoid a race to the bottom? How can we enhance the effectiveness of capacity building? The focus of the working groups was on:

- **Value chain policy**, including the issues of trade promotion, decent work for sustainable value chains and on using the VC approach to influence the business environment.
- **Value chain promotion**, including the challenges of the VC approach, cooperation with the private sector as well as capacity development and service arrangements.
- **Market development**, discussing demand, competitiveness and the impact potential of the bamboo sector, conditions of market access in the food sector, and the potential of specialty markets.
- **Relevance for the poor**, discussing how to make VC markets work better for the poor, direct interventions strengthening the ability of the poor to participate in the economy, and the role of business organisations and institutional arrangements to raise the share of the poor in VC income.

Detailed outputs of the working groups can be found in the appendix.

>> [Appendix 1](#)

Policy Matters

The first session “Value Chains and Trade Promotion” was presented by Stefan Denzler from SECO. The discussion centred on the inclusion of the private sector. The second session’s topic was “Decent Work” for sustainable value chains. Ros Harvey from the ILO presented the joint ILO-IFC “Better Work” programme. The third session focused on the question of how to use the VC approach to influence the business environment. In this context, Peter Richter and German Müller presented GTZ’s experiences from the Philippines and Ethiopia.

With regard to trade promotion aimed at maximising **pro-poor outreach**, the willingness of donors and partners to cooperate with the private sector was underlined as an important factor. Capacity development should aim at enabling partners to use the VC approach by themselves, thus allowing for scaling up. Regarding decent work, it has to be ensured that it is seen as an economic asset and that there is no trade-off between labour standards and competitiveness. To reach out to the poor effectively, the VC approach needs to be complemented with a “people’s lens”, analysing problems as well as opportunities at the micro level and especially in rural areas. Topics such as migration and remittances were felt to demand more attention. It was emphasised that social standards can only reach out to the poor when they are part of a broader development strategy.

Regarding trade promotion, quality and innovation were identified as central to reversing the **race to the bottom**. To support sustainable sourcing practices, it was deemed necessary to set up common criteria, making sure that external costs (e.g. climate costs) are integrated into VC analysis. Concerning decent work, cooperation needs to be built up between governments, employers and workers’ organisations, as well as international buyers. This will increase transparency in value chains and make profit margins more visible for the whole chain. Consumers and buyers need to offer incentives to stop the “race to the bottom”; however, social standards are not only driven by them.

The goal of enhancing the **effectiveness of capacity development** was discussed in all three sessions. The understanding of value chains needs to be strengthened, especially within governments. The VC approach can help adapt traditional export promotion schemes in order to enhance policy coherence between trade promotion and development strategies. With reference to decent work, industry-based and action-based schemes were recognised as being promising ways of making national laws more transparent and improving their effectiveness. To minimise initial high costs brought by the introduction of labour standards, a good mix between quick wins and long-term changes was recommended to make sure that productivity gains can offset the higher costs in the short term as well. With the aim of facilitating social dialogue, capacity-building should be provided for employers, workforces and unions. Auditing and monitoring were seen as a first step in this regard, but far-reaching change can only be reached by facilitating improvement.

The VC approach was acknowledged to be useful for identifying problems in the business environment. However, the fact that government officials lack capacity was again raised. Systematic industry-wide understanding and thinking was also felt to be missing within governments. Though quantitative as well as qualitative analysis was deemed necessary, it was underlined that overall, the results of the analysis need to be better communicated rather than the details. The role of donor agencies clearly needs to be directed towards greater process orientation. Creating alliances within countries including the private sector and defining together the responsibilities and support roles of all actors was seen as the main task. Donor alignment was emphasised as being indispensable regarding business environment approaches.

>> for detailed information and presentations of the Working Group 1 see [Annex 1](#).

Value Chain Promotion

In the session on “Challenges to the VC Approach”, Alan Gibson (Springfield Centre, UK) presented the findings of his analysis of five GTZ-supported VC projects in Bangladesh, Thailand, Sri Lanka, Nepal and Vietnam. Based on deskwork and telephone discussions, he identified the strengths of the GTZ VC approach in the region, but also the challenges in the areas of VC selection, analysis, intervention strategies and monitoring and evaluation (M&E). Thomas Finkel, Armin Hofmann, Peter Richter and Jim Tomecko (Working Group on Value Chains, Assets for Asia) responded with proposals on how to improve these weaknesses. The second session, moderated by Britta Marggraf from GTZ, dealt with “Cooperation with the Private Sector – Including PPP and CSR”. Thomas Finkel (GTZ Vietnam) and German Müller (GTZ Ethiopia) presented applied approaches and strategies. The topic of the third session was “Capacity-building and Service Arrangements”. Taking the examples of “Private Sector Development in Agriculture, Kenya” and “Promotion of the Egyptian Citrus Sector”, Mathias Braun and Joachim Hofer displayed concepts and approaches that address the problem of services in rural areas on a large scale. Harald Bekker from Katalyst showed, taking as an example a fisheries project in Bangladesh, how services have been improved, in particular through work with sectoral associations.

With regard to the question “**How can we maximise the pro-poor outreach of value chain promotion?**” it was agreed that VC selection and the balance between participatory processes and analysis are key. The need to address the underlying constraints (e.g. land tenure, governance aspects, cutting across value chains) has been recognised, as has the frequent need for cooperation among donors on VC programmes and flanking strategies to resolve them effectively. The involvement of lead firms is crucial: building on prospects for long-term profitability as a path towards sustainability provides knowledge about market opportunities, technologies and leverage for change and offers the possibility to scale up through increasing purchasing power (e.g. compliance with quality requirements). Public strategies may be needed to manage private sector involvement in a sustainable fashion. The public and the private sector should assume clear roles, as should donors. In addition, the development of skills, institutional capacities and innovation is necessary, in general and not just in individual projects. The Ethiopian example illustrates how an LDC’s image can be improved in the international

business world through information and lobbying as a precondition to attract attention and investment.

To **avoid a race to the bottom**, quality services and horizontal organisation were deemed essential. While learning services (e.g. management, negotiation skills) provide the basics for existence, information services (e.g. market information) are crucial for economic and productive activity within a value chain. Compliance with environmental and social standards is increasingly facilitated by firms working on the international market and thus sensitive to their image. On the other hand, national quality and safety standards increase the requirements with regard to imports at low/dumping prices and/or low quality.

Regarding **how to enhance the effectiveness of capacity building**, the group focused on knowledge and operational services, and the development of market-driven service systems which give the public sector a suitable role. Particularly where service users' purchasing power is weak, flanking strategies and policies for sustainability can be crucial for take-off. However, while developing services, attention has to be put on the scale and target market of the value chain, so as to not promote unnecessary services. Through groups or associations, service demand can be aggregated, and professional associations can even develop meaningful and income-generating services for their members. In general, the availability and quality of the services is a must for effective capacity building. Capacity building for competitive and sustainable value chains can be enhanced by recruiting adequate facilitators with private sector experience and economic skills so as to ensure more effective communication and cooperation between the public and private sectors. The targeted use of external experts can further develop local business development services (BDS) providers and associations. PPPs constitute a further instrument for developing technical, communication and negotiation skills.

>> for detailed information and presentations of the Working Group 2 see [Annex 1](#)

Market Development

Three working group sessions related to the topic of market development were conducted. In the first session entitled "Demand, Competitiveness and Impact Potential of the Bamboo Sector", John Marsh from Oxfam Hong Kong/Vietnam presented a methodology aimed at identifying which sectors offer the best potential for poverty impact, as well as at achieving scaled impacts across multiple supply chains within a sector – both nationally and across a region. He illustrated this sector feasibility methodology using the case of the bamboo sector in the Mekong countries of Vietnam, Laos and Cambodia. The second session dealt with the "Conditions of Global Market Access in the Food Sector – Participation of Small Vegetable Producers in Dynamic Commercialisation". Ivan Rodriguez from Agropyme, a rural development programme implemented by Swisscontact in Honduras, and Stefan Pletziger from The World Vegetable Center in Tanzania discussed the changes in global food markets caused by the increased market share of international supermarket chains and the consequences of this for small vegetable producers in Honduras, Kenya and Tanzania. They highlighted new rules introduced into the vegetable value chain by supermarkets (e.g. centralised procurement systems, year-round supply, and higher quality standards) which often pose a challenge for small agricultural producers in developing countries. The topic of the third session was "The Potential of Specialty Markets (Biodiversity, Ecotourism)". Annette von Lossau from GTZ presented the principles of VC promotion in specialty markets involving so-called origin-based products, i.e. products from a specific region, made of genetic resources (plants, animals) from the region, or based on specific modes of production and processing closely linked to traditional knowledge originating within the region.

In the discussions, all three sessions focused on the question of how to maximise the **pro-poor outreach** of VC promotion. Participants of all sessions stressed the importance of in-depth market analyses and the focus on sectors with strong and growing demand. In this context, in the first session three factors critical for the evaluation of the poverty impact potential of different sectors were highlighted: 1) the scale, segmentation and outlook of demand, 2) the competitiveness of local production (benchmarking), and 3) the nature and distribution of

expected pro-poor impacts (financial output, job creation). In the second session, it was stressed that it is crucial to evaluate the compatibility between market demand and the potential for including small farmers in the short and long term, as well as the support mechanisms to overcome the constraints for every farmer typology. Participants agreed that small vegetable producers should diversify their production in order to supply supermarkets as well as traditional retailers. With regard to VC promotion in specialty markets, it is important to organise short value chains, to have direct relations between consumers and producers, not to concentrate on just one product, to cooperate with research institutes to enhance the development of innovations, to avoid concentration of knowledge and to provide a transparent way of distributing the benefits. However, in the third session some participants doubted whether VC promotion in specialty markets could contribute significantly to broad-based economic growth in developing countries due to the relatively small size of most of these markets.

The increased bargaining power of small agricultural producers was identified as an important contribution to avoid a **race to the bottom**, e.g. by reducing information asymmetries and establishing producer associations. The dissemination of international standards in the food sector through supermarkets was also regarded as a crucial factor. It was emphasised that the transfer of (minimum) standards from international to local markets should be fostered, e.g. through the establishment of local brand names.

With regard to the **effectiveness of capacity-building** measures, a number of participants in different sessions pointed out that close cooperation among development organisations conducting VC promotion was badly needed. In this context, government leadership is crucial to stimulate interaction and harmonisation between donor institutions. In addition, it was argued that the effectiveness of capacity building could be enhanced through the development of strong public-private networks and the combination of capacity building and awareness creation.

>> for detailed information and presentations of the Working Group 3 see [Annex 1](#)

Relevance for the Poor

Three working group sessions were conducted considering the “Relevance for the Poor”. First, Dominic Smith (Markets4Poor) and Nico Janssen (SNV – the Netherlands Development Organisation) presented “Making Markets Work Better for the Poor” and “Competitiveness of the Rural Poor in Value Chains”. Second, Professor Helmut Asche (University of Leipzig) and Heike Höffler presented the topic “Direct Interventions Strengthening the Ability of the Poor to Participate in the Economy”. Third, Dietmar Stoian (CATIE) introduced the topic “Business Organisation and Institutional Arrangements to Raise the Share of the Poor in Chain Income”.

During all sessions, the working group was primarily concerned with the first lead question “How can we maximise the **pro-poor outreach** of value chain promotion?” In answer, all three working groups considered a multi-level approach to be necessary. At the micro level, reaching out to the poor requires the development of demand-driven business services as well as the support and facilitation of association building (for collective action) and contractual arrangements (e.g. in PPPs and outgrower schemes). It became clear that reaching the poor means taking individual livelihood perspectives and local economic development perspectives carefully into account. The development of entrepreneurial skills was considered to be of high relevance for enabling the poor to tap existing market potential. At the meso level, Professor Asche and Ms. Höffler suggested developing modern industrial sector policies in order to target public interventions towards strategic areas of investment, i.e. strategic agricultural products by streamlining taxes and tariffs and other policies. At the macro level, the less VC-specific investment climate and the general enabling environment for private sector development, as measured in the World Bank’s “Doing Business” reports, have to be supported for VC promotion to be successful and to reach out. A good example concerning policy interventions and pro-poor outreach is the so-called Social Inclusion Plan in Ecuador, which includes sub-sectoral matters.

A point of discussion was whether projects and policies were consistently monitored with regard to their poverty impact, i.e. by comparing agricultural marketing data with poverty data from

planning ministries. Even though most projects monitor their results and account for their outreach, it remained unclear what “outreach to the poor” really means. Who are the poor in VC promotion anyway? Do we reach them at all? And if so, how many do we need to reach to talk of “outreach” and “relevance” or being “broad-based”? Furthermore, whether VC promotion can be regarded as being “pro-poor” in its true sense remains a topic for further debate, since its own logic is largely commercial.

The discussion on the second lead question, “How to avoid a **race to the bottom**”, was less intensive. During the first session, the importance of analysing and exploring the potential of dynamic and emerging domestic and regional markets by using domestic market intelligence was pointed out. Furthermore, to increase competitiveness on national and international markets, four strategies were highlighted: a) supporting quality service provisions for SMEs; b) exploring innovative product development; c) overcoming market information asymmetries; and d) supporting the poor in high-value certified niche or speciality markets, since these markets are currently the most dynamic ones (this refers to the Best Practices of the GTZ’s GESOREN programme in Ecuador).

The third lead question referred to “How can we enhance the **effectiveness of capacity building**?” Several suggestions were made by the participants during all three sessions. The first session highlighted the need to empower the poor through diversified capacity building with regard to the markets in order to adapt to market forces and to identify market trends, rather than through specific skills development. This again led to the suggestion of linking the poor with entrepreneurial talents. The second presenter pointed out that many of the success stories in VC promotion have been so far purely private sector-driven, benefiting largely from private investment in the knowledge and skills of poor producers and labourers. During the third session, a pyramid structure of skills and capacity development composed of service providers (at the top), business organisations (in the middle layer) and smallholders (at the base) was promoted to enhance the effectiveness of capacity building, with the aim of reaching the poor through a cascade of development activities via their respective umbrella organisations (assuming these are both functional and truly representative).

>> for detailed information and presentations of the Working Group 4 see [Annex 1](#)

6. Conclusions

In a final session, **Jörg Meyer-Stamer** from mesopartner Consulting summarised the key discussion points of the conference. He concluded that some policy fields, such as export promotion, need to change fundamentally. There is huge potential for the VC approach in so-called traditional sectors, such as fresh produce. It is important that policymakers focus their promotion efforts on high-potential sectors. The organisation of policymaking moreover needs to adapt, as a fragmented structure of government ministries and departments hinders the VC approach. Creating task forces for specific value chains could be a solution to this.

Some of the participants (Beate Weiskopf, GTZ Ecuador; Peter Tschumi, SDC; Thomas Finkel, GTZ Vietnam; Ousmane Djibo, GTZ Burkina Faso and Vincent Fautrel, CTA) offered feedback on what lessons they had drawn from the conference. They concluded that they would take with them an improved understanding of the underlying constraints which allow for the building up of a strategy in order to design sustainable interventions and improve impact monitoring. However, they also stressed the need for harmonisation and use of complementary approaches as well as the importance of using better monitoring systems.

Gudrun Grosse-Wiessmann, director for multilateral and European development policy at the BMZ, closed the conference by highlighting the fact that the VC approach is one measure that could help in achieving the Millennium Development Goals. Used as a proper tool, value chains could reveal the various steps of adding value. However, as not all donors can engage in all these steps, a reasonable division of labour needs to be ensured among development actors. Some will engage in creating an enabling environment, others in enhancing product quality and standards, and others in bringing the various stakeholders together to develop export strategies.
>> [Closing Remarks](#)

The **key statements** of the conference can be summarised as follows:

4. The **VC approach** contributes to reducing poverty if it is employed strategically and if it concentrates on targeting poverty. We have to overcome the bias towards the better-off by consciously using the full range of options available to support the poor in value chains. This includes fostering associations, skills development and learning, facilitating contract arrangements and supporting information and service delivery. Often, it is necessary to combine VC promotion with a livelihoods perspective, with local economic development or with vocational training so as to enable the poor to enter (and stay in) commercial markets. Better monitoring tools are needed to guide VC promotion.
5. **Choosing the right market** and determining an appropriate market development strategy are strategic tasks of great importance, both in terms of scale and in terms of avoiding a race to the bottom. Development agencies need to promote the **innovation of products and of business models**.
6. **Cooperation between development agencies and the private sector** is a precondition sine qua non. Companies are needed to act as development partners for several tasks – reaching out to a large number of small suppliers, investing in technology and productive capacity, promoting policy change, and supporting the introduction of social and ecological standards and innovating products.
7. The greatest outreach could be achieved by supporting an **active economic policy** for the industries and value chains most relevant to the poor. Governments should be advised on using the VC perspective to remove administrative barriers, conceive support policies and make targeted investments. Broad-based industry policies also include the introduction of **social and ecological standards**.
8. **Donors have to cooperate more intensively** to improve their efficiency and impact. The services and contributions of development agencies must complement and reinforce each other.

7. Follow-up: Putting the Conference Results into Practice

In a follow-up meeting on 1 June 2007, participants discussed the coordination and networking of donors and development agencies active in VC promotion programmes.

The service offers and experience of two existing platforms for donor coordination, both of which are active in the field of VC promotion, were presented. First, Michele Clara gave an overview of the activities of the **Donor Committee for Enterprise Development** and its Working Group on Linkages and Value Chains. The Donor Committee is a forum for the coordination of policies and approaches among donors in the field of enterprise and private sector development, thus aiming to substantiate overall donor harmonization efforts in this field. The working groups constitute the platform for member agencies to exchange experience and lessons learned in specific technical fields (such as value chain development), to benchmark approaches and to initiate joint action (e.g. conferences, donor guidelines and handbooks, training programmes, etc.). Sonja Bartelt, on behalf of the **Global Donor Platform for Rural Development**, presented their experience with networking. The platform was launched as a joint global initiative of donor agencies and international institutions with the aim of increasing aid effectiveness and supporting its member organisations in putting the Paris Declaration for Agriculture and Rural Development into practice.

The meeting also offered the opportunity to exchange information on existing training courses, manuals and tools, concept innovations and networking instruments of development agencies that could be of use for the VC community (see also [Appendix 2](#))

With respect to follow-up actions, participants identified the need for better harmonisation and cooperation and the development of a common framework. Effective coordination mechanisms among donors have to be found to strengthen further networking, exchange and learning. Furthermore, methodologies and tools for monitoring have to be developed and shared among donors in order to improve the effectiveness of M&E. Some participants also pointed to the need to adapt or link the VC approach to other approaches, e.g. incorporating the issue of Aid for Trade, conducting action research on VC governance, combining the approach with eco-efficiency capacity building, and focusing on gender sensitivity. In addition, the need for private sector-led VC coordination mechanisms was stressed.

Appendix 1: Working Group Results

Working Group 1: Policy Matters

<p>Group 3-1</p>	<p>Value Chains and Trade Promotion, presented by Stefan Denzler (Swiss State Secretariat for Economic Affairs - SECO)</p>
<p>How can we maximise the pro-poor outreach of VC promotion?</p>	<p>To reach out to the poor, it was suggested to target the poor that have already some access to formal production enterprises and markets. By supporting the motors of development, resources can also be generated and then redistributed to that part of the poor which could not otherwise be reached. But this was not agreed by all participants. One widespread problem was noted, namely that national policymakers are not familiar with the VC approach. Partners need to be enabled for VC promotion, as only then is scaling up possible.</p> <p>In order to maximise their outreach, donors and partners must be open to cooperation with the private sector, working with the important market players. Remaining impartial is, however, a major challenge when working with the private sector.</p>
<p>How can we avoid a race to the bottom?</p>	<p>Quality improvement and innovation are key in turning the race to the bottom around. Supporting booming markets versus trying to change markets was at the centre of the discussion. Donors were also said to have an important lobbying function in their own countries in order to open up new markets, e.g. organic food.</p> <p>Supporting sustainable sourcing practices, e.g. by offering tax exemptions, was proposed. However, the problem was raised that a definition is therefore needed for sustainable sourcing in terms of defining common criteria.</p> <p>Making sure that external costs are factors in value chains (climate costs) was another issue discussed. Here the risk of over-regulation was mentioned, as the business investment climate is a key factor.</p>
<p>How can we enhance the effectiveness of capacity building?</p>	<p>The understanding of value chains needs to be strengthened within governments, as they have an important role in VC promotion. Therefore they need to know all the players within a value chain. Using the approach could also enhance the coherence between trade and development policies. Traditional export promotion strategies need to be rethought and adapted. Using the industry analysis methodology could be one way of making trade promotion more dynamic.</p> <p>The business environment is important and fight against corruption is part of this. Donor countries need to ensure that their policies at home do not encourage corruption in partner countries. Bottlenecks in value chains need to be defined before their final selection to ensure that the approach remains feasible. Making sure there is demand before engaging in a specific value chain is important in terms of increasing effectiveness.</p>

Group 4-1	Decent Work for Sustainable Value Chains , presented by Ros Harvey (ILO)
How can we maximise the pro-poor outreach of VC promotion?	<p>There need not be a trade-off between core labour standards and competitiveness, as the implementation of labour standards is achieved through improved management systems (quality, processes and human resources). Therefore decent work is an economic asset. Ensuring that workers' rights and entitlements are protected helps distribute the benefits of trade. Social standards need to be part of a broader development strategy.</p> <p>The VC approach not only has a product lens, but also a people's lens: the link between people and their communities needs to be looked at more closely. For example, many urban workers support rural areas with remittances. Supporting such private redistribution could help spread benefits beyond the direct beneficiaries. An analysis of the effects of migration needs to be part of the VC approach in order to maximise pro-poor outreach.</p>
How can we avoid a race to the bottom?	<p>Consumers and buyers need to provide incentives; however, social standards are not only driven by them! Building cooperation between government, employers' and workers' organisations, as well as international buyers, is key in turning the race to the bottom around. The focus should be on ILO core labour standards and national labour laws. Transparency in value chains needs to be increased.</p> <p>Building and documenting the business case helps make effects sustainable and enables the dissemination of best practices. PPPs were identified as a helpful tool for implementing projects of common interest.</p>
How can we enhance the effectiveness of capacity building?	<p>Capacity building is needed for employers, the workforce and trade unions on social dialogue. Integrated training courses need to be offered on labour standards and competitiveness.</p> <p>A mixed approach of quick wins and long-term changes is needed to avoid high initial investments that only pay off much later. Implementing labour standards through available low-cost solutions can already yield high returns on productivity. Knowledge management and tool dissemination are needed: sharing factory information can reduce the buyers' auditing costs, and thus resources can be redirected to fixing problems. Auditing and monitoring are only a first step: the central issue is to facilitate improvement.</p>

Group 5-1	Using the VC Approach to Influence the Business Environment , presented by Peter Richter (GTZ Philippines) and German Müller (GTZ Ethiopia) >> Presentation
How can we maximise the pro-poor outreach of VC promotion?	PPPs were mentioned as a good capacity-building tool.
How can we avoid a race to the bottom?	
How can we enhance the effectiveness of capacity building?	<p>For development to take place, the different action levels have to be viewed systematically. Macro issues are hard to change, but work can be done on the sector level: the VC approach is useful for identifying problems in the business environment. Sector-specific bottlenecks can be identified, which then need to be worked on in a holistic approach and by leading a sector-specific dialogue.</p> <p>The importance of building up confidence and establishing a critical mass of commitment of relevant stakeholders was emphasised. Defining the roles of actors in positions of responsibility and support roles was mentioned as representing an important step. What lies beyond the business sector and what therefore is part of the responsibility of the public sector must be clarified.</p> <p>Creating alliances within countries can also serve as an exit strategy for donors. Process orientation will enhance effectiveness because it enables scaling up.</p> <p>A thorough analysis was felt to be needed, in both quantitative as well as qualitative terms. The question was however raised as to who will pay for such analyses, and participants discussed whether there is a role for donors, especially when it comes to baseline studies. However, it was stressed that reports themselves are hard “to sell” as they are often too complex and too long to appeal to policymakers. Therefore the common understanding was that analysis is needed, and the results need to be communicated, but not in such detail. Generally, governments need to develop a more systematic understanding of industry and thinking on this topic.</p> <p>The attribution gap remains difficult to ascertain, and it is equally difficult to measure success. Sustainability could however represent a success indicator.</p> <p>Participants commonly understood that business environment approaches in particular need to feature greater donor alignment.</p>

Working Group 2: VC Promotion

<p>Group 3-2</p>	<p>VC Promotion: Challenges for the VC Approach presented by Alan Gibson (Springfield Centre, UK), and the ASSET Asia Working Group [Thomas Finkel (GTZ Vietnam), Armin Hofmann (GTZ Nepal), Peter Richter (GTZ Philippines) and Jim Tomecko (GTZ Thailand) >> Presentation</p>
<p>How can we maximise the pro-poor outreach of VC promotion?</p>	<p>There is a need for strategies on how to get from initial intervention to wider change; relying on a “demonstration effect” appears to be ineffective. Efficiency and increased value added should be specifically targeted to increase the income of the actors involved in the value chain. At the micro level, pilot work is necessary to understand the underlying constraints and progressively to reduce them. Service capacities and policies need strengthening. To increase the impact of value chains, Alan Gibson also advised participants to focus on fewer value chains and thus to concentrate and strengthen their work, instead of targeting many value chains with fewer capacities. Comments from the floor were very much concentrated on the issue of sustainability: to ensure sustainable development, the selection of value chains was deemed crucial (the focus on growth potential, and the inclusion of non-economic criteria such as political or socio-cultural aspects). It was also pointed out that change agents are key in VC promotion. These are not necessarily only lead firms, but also include other private and public sector institutions. It was also mentioned that the approaches towards new value chains need to differ from existing ones. Another important aspect that was raised was the need to evaluate the underlying constraints in the introduction of new ideas, new products and improvements, as this would make it easier to promote value chains from a more informed point of view, and also to increase the effectiveness of capacity building.</p>
<p>How can we avoid a race to the bottom?</p>	<p>This issue was not directly addressed in the working group.</p>
<p>How can we enhance the effectiveness of capacity building?</p>	<p>The effectiveness of capacity building can be already enhanced at the stage of VC selection/analysis. Participatory tools could be applied which enhance stakeholder involvement in VC mapping analysis. An example of a project in Latin America was discussed, where VC selection was delegated to a national institution/group, and the relevant criteria agreed on beforehand. With regard to M&E, there is a need to evaluate not only the initial impact, but also the long-term and wider change effects and so better inform capacity-building strategies. This is also important in view of the development of long-term exit strategies. In general, M&E needs to be adapted so that it results in direct outcomes and effects (as this is necessary for project evaluation), but also takes into account the broader picture of change. In cooperation activities with the private sector, it was also suggested that the way donors and the private sector perceive M&E perspectives and understand M&E diverge and should be matched, as this would facilitate information exchange and would help determine the next steps.</p>

Group 4-2	VC Promotion: Cooperation with the Private Sector – Including PPP and CSR presented by Thomas Finkel and German Müller, moderated by Britta Margraf >> Presentation
How can we maximise the pro-poor outreach of VC promotion?	<p>Many participants expressed their belief that an important ingredient for maximising the pro-poor outreach of VC promotion is to involve the private sector as a partner and thus make use of the sector's competitive advantages, for instance knowledge of market opportunities, longer time horizons for projects, better effectiveness and greater sustainability. The private sector can contribute to VC promotion in cash as well as in kind (i.e. through knowledge). The discussion also touched on the question of lead firms, asking: What is a lead firm? Does it need to be large and international? If so, is there a danger that it could crowd out small, local firms? In this context, the importance of corporate social responsibility (CSR) was underlined, especially if it shifts from a specialised department in a firm to the operational side, which would change the whole system of how business is done, and increase pro-poor outreach. An issue raised in the second presentation was the importance of operating in an overall good business and investment climate, in order to attract foreign direct investment, knowledge and new market opportunities. In some cases, the image of a country has to be improved in other markets to make it more attractive. Here, cooperation between donors, the public and the private sector is necessary. Yet some participants underlined the fact that private sector involvement is no panacea and cannot substitute for public sector actions. Involvement in the private sector can be a double-edged sword, as companies tend to follow their business objectives and not general development objectives.</p>
How can we avoid a race to the bottom?	<p>It was argued that private sector involvement in the value chain could help avert a race to the bottom in a number of ways. The introduction of standards could be facilitated by private enterprises operating in the global markets, as these have clear interests in quality, image and efficiency. In addition, structural changes regarding laws and regulations can be promoted, as improved investment and a better business climate also represent incentives for private sector partners to enter a country.</p> <p>In this context, the concern was raised that value chains are too often looked at as a homogeneous chain. While VC promotion might be beneficial to the chain as a whole, the profits can be distributed unequally between the various actors along the chain. For instance, in some cases it might be beneficial to cut out intermediaries in the chain so that the poor receive a higher share of the benefits. A number of participants however argued that these intermediaries often provide important services, and cutting them out would have detrimental effects on the development of the value chain.</p>
How can we enhance the effectiveness of capacity building?	<p>The effectiveness of capacity building can be improved by using private sector knowledge and experience. However, a lack of private sector knowledge on the donor side can make cooperation more difficult. Thus, it was suggested that this knowledge should be improved on the donor side, e.g. by hiring staff with private sector experience. For a better understanding between the private sector and donor organisations, it is helpful to use the same language (e.g. profit instead of sustainability). To increase local knowledge, the targeted use of external experts can enhance local BDS providers and associations. Matchmaking schemes for the various actors along the value chain can facilitate cooperation. Furthermore, more coordination with other technical cooperation programmes and donors is essential.</p>

Group 5-2	VC Promotion: Capacity Building and Service Arrangements presented by Mathias Braun/Joachim Hofer (GTZ Head Office) >> Presentation and Harald Bekkers (Katalyst) >> Presentation
How can we maximise the pro-poor outreach of VC promotion?	<p>It was agreed that complementary services constitute an important factor for improved VC development, and that a combined use of the different types of services (public, private, embedded, associative, etc.) is the most fruitful. All of these services can however contain disadvantages which need to be taken into account: embedded services might risk creating market bias; private services might not be pro-poor, but rather purely funded via demand. For public interventions, it was argued that these should refocus on leveraging intervention fields.</p> <p>Additional employment creation through service development also has an effect on pro-poor outreach. To maximise the pro-poor outreach of VC promotion, access to and quality and differentiation of services are necessary. Quality inputs (operational services) and technological knowledge (knowledge services) are critical for value chains to take off, achieve sustainability and conquer specific market segments. Well-targeted services can produce high returns in terms of impact.</p> <p>In addition, time needs to be taken into account, and patience is often necessary.</p>
How can we avoid a race to the bottom?	<p>As knowledge is a major constraint, information services are essential for VC development and economic and productive activity and upgrading. Learning services are important for the basic survival of enterprises. Additionally, services especially targeted at smallholders can help avoid a race to the bottom.</p>
How can we enhance the effectiveness of capacity building?	<p>It is helpful to make use of groups/associations of producers to aggregate demand and benefit from economies of scale. Associations can even take over certain services for their members and generate income. The use of local experts is important to ensure that knowledge does not disappear with the donors. The initiation of a dialogue between VC enterprises of subsequent segments is also important to enhance the effectiveness of capacity building. Some participants suggested that it might be useful to charge fees for some services, as these are good indicators of the need, relevance, quality and effectiveness of services. Flanking strategies for services and policies to ensure sustainability may also be useful.</p>

Working Group 3: Market Development

Group 3-3	Demand, Competitiveness and Impact Potential of the Bamboo Sector , presented by John Marsh (Oxfam Hong Kong/Vietnam) >> Presentation
<p>How can we maximise the pro-poor outreach of VC promotion?</p>	<p>To maximise the pro-poor outreach of VC promotion in the medium and long run, it needs to be assured that interventions occur in sectors with the best potential for poverty impact, and that these interventions achieve scaled impacts across multiple supply chains – both nationally and across a region. The sector feasibility methodology enables us to evaluate regional-scale sector poverty impact potential. This was applied in the 2006 “Mekong Bamboo Feasibility Study” commissioned by Oxfam and the IFC, and is based upon the integration of three critical factors. First, scale, segmentation and outlook of demand for bamboo products in world markets are analysed based on different growth scenarios. Second, the competitiveness of local production of different bamboo products is evaluated using a benchmark approach. Third, the nature and distribution of the expected pro-poor impacts of the promotion of different bamboo industrial sub-sectors are determined based on financial output and job creation. According to this feasibility methodology, a coordinated VC promotion strategy across different bamboo sub-sectors in the Mekong region offers the potential of lifting 1-1.5 million people out of poverty. Other crucial factors which influence the pro-poor outreach and sustainability of VC promotion are the monitoring of (long-term) poverty impact results of different activities as well as the participation of all stakeholders. The exclusion of landless farmers from VC promotion activities has to be avoided.</p>
<p>How can we avoid a race to the bottom?</p>	<p>The risk that VC promotion activities could contribute to decreasing prices for certain products has to be avoided. In the bamboo sector, producers in Mekong countries have so far focused on the mass supply of low-processed products. This implies the danger of environmental degradation as well as of a fluctuating supply of raw materials. In order to avoid a race to the bottom, it is necessary to move more parts of the value chain into these countries in order to increase value added. In this context, early risk-takers have to be protected, which implies building strong local institutions.</p>
<p>How can we enhance the effectiveness of capacity building?</p>	<p>The effectiveness of capacity-building measures can be enhanced through close cooperation among development organisations. The Mekong Bamboo Consortium Project is one such example of a multi-partner, multi-donor-funded project which has emerged from the feasibility work in the bamboo sector of the Mekong countries. The project aims at developing local pilot models, at initiating sector-level activities and at reproducing best practices. In addition, South-South cooperation (e.g. technology transfer, joint ventures) should be fostered.</p>

Group 4-3	Conditions of Global Market Access in the Food Sector – Participation of Small Vegetable Producers in Dynamic Commercialisation , presented by Ivan Rodriguez (Agropyme, Honduras) >> Presentation and Stefan Pletziger (The World Vegetable Center, Tanzania) >> Presentation
How can we maximise the pro-poor outreach of VC promotion?	The improvement of the pro-poor outreach of VC promotion depends on a comprehensive analysis of the value chain, including information on demand (market size, quality standards, competition, commercial practices) as well as supply (diversification level, production scale, input availability, managerial skills and information access). The main changes in the fresh vegetables value chain, especially in Latin America, started with the increasing market share of international supermarket chains, which set up new rules such as centralised procurement systems, year-round supply, and higher quality standards. As a consequence, it became very difficult for new small farmers to supply as individuals rather than through preferred suppliers or producer associations. Thus, in order to maximise the pro-poor outreach of VC promotion, it is important to evaluate the compatibility between market demand and the potential for including small farmers in the short and long term, as well as the support mechanisms needed to overcome the constraints for every farmer typology. These support mechanisms include knowledge management for scaling up good practices, providing market information, and improving marketing systems. The importance of private leadership in order to develop a long-term vision for every value chain as well as measurable performance indicators was highlighted. In addition, participants agreed that small vegetable producers should diversify their production in order to supply supermarkets as well as traditional retailers. The topic of whether VC promotion should only focus on high-value supply chains was also discussed.
How can we avoid a race to the bottom?	Increasing the bargaining power of small agricultural producers was identified as an important contribution to avoid a race to the bottom. This can be achieved by reducing information asymmetries along the value chain, establishing producer associations, and ensuring technology transfer. The dissemination of international standards (such as EurepGap) through the increasing market share of supermarkets is very important in this regard. However, it was stressed that concerning the market shares of supermarkets within the food sector, it is crucial to distinguish between Latin America (approximately 60%) and Africa (approximately 10%). While some participants argued that the promotion of competition along the value chain helps avoid a race to the bottom since it prevents any concentration of market power, others pointed out that competitive pressures can contribute to lower standards. It was emphasised that the transfer of (minimum) standards from international to local markets should be fostered, e.g. through the establishment of local brand names. Cooperation with lead firms in the area of corporate social responsibility was also identified as an instrument to avoid a race to the bottom.
How can we enhance the effectiveness of capacity building?	The effectiveness of capacity building can be enhanced through the development of strong public-private networks as well as through the combination of capacity building and awareness creation. In addition, government leadership is crucial to stimulate interaction and harmonisation between donor institutions. The coordination of interventions is important in order to prevent market distortions (e.g. overproduction, stimulation of inefficient production systems).

Group 5-3	The Potential of Specialty Markets (Biodiversity, Ecotourism) , presented by Annette von Lossau (GTZ) >> Presentation
How can we maximise the pro-poor outreach of VC promotion?	VC promotion in specialty markets involves so-called origin-based products, i.e. products from a specific region, consisting of genetic resources (plants, animals) from the region, or based on specific modes of production and processing closely linked to traditional knowledge originating within the region. These products are strongly linked to territorial identity and reputation (e.g. potatoes from the Andes, cocoa from Ecuador). The analysis of several value chains shows that, in order to increase the pro-poor impact of activities in specialty markets, it is important to organise short value chains, to have direct relations between consumers and producers, and not to concentrate on just one product, but to offer several services (e.g. landscape conservation, agrotourism) based on regional raw materials, to cooperate with research institutes to enhance the development of innovations, to avoid concentration of knowledge, and to provide a transparent way of distributing the benefits (e.g. through access and benefit-sharing agreements). Furthermore, the VC approach should be closely linked to regional development approaches in order to increase impact. VC promotion in specialty markets has to be long-term, involving precise knowledge of local circumstances and resources. Some participants doubted whether VC promotion in specialty markets can really contribute significantly to broad-based economic growth in developing countries due to the relatively small size of most of these markets.
How can we avoid a race to the bottom?	Origin-based products may need legal protection (i.e. a geographical indication on the label/packaging). These labels protect against unfair competition and also help marketing, and send a message of trust and confidence to the consumer. Development cooperation can support producers throughout the certification process and the marketing of origin-based products. In addition, environmental exploitation can be avoided through the implementation of international agreements such as the Convention on Biological Diversity.
How can we enhance the effectiveness of capacity building?	Since the production of origin-based products builds on existing traditional resources, small farmers are in a better position to produce local products than multinational companies. However, the marketing of these products requires a good understanding of consumers' behaviour and demands, as well as a high degree of organisation and coordination. Furthermore, production has to respond to new demands such as quality control and has to provide adequate volumes on a regular and timely basis. Implementing these quality standards needs certain capacities (e.g. financial and human). However, small farmers classically lack technical capacity or the finances for investment and thus have difficulties marketing their products successfully.

Working Group 4: Relevance for the Poor

Group 4-3	Making Markets Work Better for the Poor , presented by Dominic Smith (Markets 4 Poor) >> Presentation and Nico Janssen (SNV) >> Presentation
How can we maximise the pro-poor outreach of VC promotion?	Dominic Smith stated that a necessary condition for all types of market interventions is to identify the poor. The poor are often not the producers, but could be informal traders or street vendors. They are also, of course, consumers themselves. Against this background, markets need to be analysed for their ability to include commercial activities for the poor. This capacity is often found in niche markets. Supporting institutions need to decide whether to engage in the production of speciality products and/or diverse products. The entire market structure should be subject to analysis instead of just single products, and reliable market information must be available for all stakeholders. This requires an improved institutional and business environment. Furthermore, the working group also discussed the interaction in local systems and the importance of local value chains, the prevention of creating “project islands” by using multi-level and multi-stakeholder approaches, the importance of collective marketing activities, of trust-building within the value chain as well as the importance of PPPs as outreach instruments.
How can we avoid a race to the bottom?	Answering this question proved somewhat difficult. However, one way of ensuring that poor countries do not compete in the same export markets is to explore the potential of domestic and regional markets, since most of these markets are dynamic and emerging. Several project examples emphasised the importance of domestic market intelligence, which should be used in the process of analysing and identifying market trends. To increase competitiveness on national and international markets, four strategies were highlighted: a) supporting quality service provisions for SMEs; b) exploring innovative product development; c) overcoming market information asymmetries; and d) supporting the poor in high-value certified niche or speciality markets (this refers to the Best Practices of the GESOREN GTZ Programme in Ecuador). Another alternative to avoid a race to the bottom is to encourage contract farming.
How can we enhance the effectiveness of capacity building?	The poor should be empowered through diversified capacity building on markets in order to adapt to market forces and to identify market trends rather than through specific skills development. This again leads to the suggestion of linking the poor with entrepreneurial talents. One rather general suggestion from the audience was to establish sustainable capacity development services.

Group 4-4	Direct Interventions Strengthening the Ability of the Poor to Participate in the Economy , presented by Helmut Asche (University of Leipzig) and Heike Höffler (GTZ Kenya) >> Presentation
How can we maximise the pro-poor outreach of VC promotion?	Opportunities for maximising pro-poor outreach are, in the presenters' opinion, better, and pro-poor policies at micro, meso and macro levels and specified industrial and agricultural policy interventions that target the poor should be encouraged. Industrial policy must be linked to VC promotion. Helmut Asche also stated that more policy interventions in sectoral and trade policy should be reconsidered, besides the general trend of improving the investment climate and the "Doing Business" reports of the World Bank. However, this should not lead to "old school" protectionism. The presenters invited the working group participants to add their own project experiences to the discussion, e.g. trade policy in the Philippines, the social inclusion plan of the Ecuadorian government, VAT exemption from export packing material in Ghana, public and private sector dialogue in Brazil and Vietnam. AGOA was also named as a prominent example of direct intervention. These examples of direct policy interventions are all geared towards increasing economic growth. They are thus not very pro-poor per se, but do have considerable poverty impacts. However, whether their impact can be regarded as particularly "pro-poor" is questionable. This holds true for many development interventions, and the presenters argued that a more profound monitoring of poverty impacts is necessary in private sector promotion in agriculture.
How can we avoid a race to the bottom?	
How can we enhance the effectiveness of capacity building?	During the session the working group participants formulated options for enhancing effectiveness of capacity building. These options are to develop and establish VC-specific coordination bodies (e.g. in Ecuador, government bodies are engaged in VC selection and promotion), to facilitate vertical and horizontal coordination along the chains, such as communication along the value chain, and to empower producer associations to engage in policy dialogue. Mr Neun (CTA) mentioned that CTA policy briefs could be used to stimulate the policy debate.

Group 4-5	Business Organisation and Institutional Arrangements to Raise the Share of the Poor in Chain Income, presented by Dietmar Stoian (CATIE) >> Presentation
How can we maximise the pro-poor outreach of VC promotion?	Dietmar Stoian stated in his presentation that establishing smallholder business organisations and supporting collective action will benefit the poor in terms of production volumes, quality upgrading and also risk sharing. Cooperatives should focus on production and marketing activities. Necessary preconditions are improved institutional arrangements and good local governance. Input suppliers should also be incorporated. Generally, a multi-chain approach with a livelihood perspective also includes local economic conditions. Several critical aspects were mentioned by the presenter, e.g. poor access to market information, too high minimum threshold levels, and no available technical, business development and financial services. Particularly, the provision of resources for embedded services might be a way of targeting the poor in a given chain. (For more details, see the Presentation and Abstract.) Working group participants also mentioned that smallholders are often unaware of their role in value chains. It was also added that power relations in the value chain must be taken into account. The strengthening of the extension service system in the partner countries is similarly crucial.
How can we avoid a race to the bottom?	
How can we enhance the effectiveness of capacity building?	Dietmar Stoian presented a pyramid structure of skills and capacity development composed of service providers (at the top), business organisations (in the middle layer) and smallholders (at the base). The latter can only be reached through a cascade of development activities through their respective organisations. He promoted the idea of on the job-training. Capacity building should also be enhanced through market-based service delivery with a focus on productivity and competitiveness, as well as by taking local economic development aspects into VC promotion. The group discussion focused on the importance of negotiating power in VC business, the management of production and product quality by including financial services for private sectors in value chains, the need to strengthening communication due to access to ICT, and by involving research.

Appendix 2: Follow-up meeting 1 June 2007

What do we offer to the value chain community?

<i>Who</i>	<i>Formal qualification</i>	<i>Training for practitioners</i>	<i>Manual / tools</i>	<i>Concepts innovations</i>	<i>Networking</i>
Agridea		<ul style="list-style-type: none"> ▪ Moderation and facilitation training formats ▪ Training on extension methods 	<ul style="list-style-type: none"> ▪ Extension approaches + tools 	<ul style="list-style-type: none"> ▪ Extension approach and adult learning 	
CATIE	<ul style="list-style-type: none"> ▪ Master courses 	<ul style="list-style-type: none"> ▪ Technical backstopping / learning in /on projects 		<ul style="list-style-type: none"> ▪ Process innovation e.g. marketing ▪ VC specific technologies Product innovation ▪ PPP experience 	
CIAT	<ul style="list-style-type: none"> ▪ Diploma program on enterprise development (Spanish, English) 		<ul style="list-style-type: none"> ▪ Training manual small producers 6 languages 	<ul style="list-style-type: none"> ▪ VC specific technologies ▪ Product innovation ▪ PPP experience 	
CTA, Netherlands					<ul style="list-style-type: none"> ▪ Web-site on tools & management
Global facility for underutilized crops			<ul style="list-style-type: none"> ▪ Guidelines on value chain development - underutilized crops 		
GTZ Competence Centre Social & Eco-Standards, G		<ul style="list-style-type: none"> ▪ Training formats ▪ Advisory services / backstopping 		<ul style="list-style-type: none"> ▪ Experience on social & environmental standards, codes of conduct 	

Who	Formal qualification	Training for practitioners	Manual / tools	Concepts innovations	Networking
GTZ Headquarter.		<ul style="list-style-type: none"> ▪ ValueLinks Training & Seminar formats ▪ Quality Management of Services (French, German) 	<ul style="list-style-type: none"> ▪ ValueLinks Manual 11 modules based on world wide practice 		
GTZ sector network Asia				<ul style="list-style-type: none"> ▪ Best practices ▪ PPP experience 	<ul style="list-style-type: none"> ▪ Peer learning
GTZ sector network SELLER (Central Asia, E-Europe, transformation countries)			<ul style="list-style-type: none"> ▪ Practitioner Handbook Design and Management of Farmer Associations in Eastern Europe 		
Network of GTZ-ValueLinks trainers and facilitators ²		<ul style="list-style-type: none"> ▪ Development of training and facilitation capacities in the field of value chain promotion in Latin America, S-E and Central Asia, Eastern Europe, Africa 	<ul style="list-style-type: none"> ▪ Contribute to further edition of the GTZ-ValueLinks handbook 		<ul style="list-style-type: none"> ▪ Mutual learning + Knowledge management for further development of the GTZ-ValueLinks approach
GTZ Local Economic Development Network South Africa			<ul style="list-style-type: none"> ▪ Manual on process consultation ▪ LED Manual for South Africa 		
Regional Competence Team Latin America value chain + PPP ³		<ul style="list-style-type: none"> ▪ ValueLinks Training & Seminar formats Spanish ▪ Backstopping, advisory services 	<ul style="list-style-type: none"> ▪ ValueLinks Manual Spanish 	<ul style="list-style-type: none"> ▪ Value chain Management ▪ Value chain concept applied to bio trade, bio diesel ▪ PPP experience 	<ul style="list-style-type: none"> ▪ Regional meetings on value chain development in Latin America ▪ Moderation of VC Working group of GTZ sector net-

² Formed in 06/2007 by 14 members, GTZ seconded and national staff, senior planning officers and consultants.

³ since 3/2007 GTZ, DED, KfW, others

Who	Formal qualification	Training for practitioners	Manual / tools	Concepts innovations	Networking
					work NRM/ RD LAC
GTZ sector network Rural Development SNRD Africa Working group Sustainable Agribusiness ⁴		<ul style="list-style-type: none"> ▪ ValueLinks trainings (engl. + french; Benin, Nigeria, Kenya, Ethiopia, RSA) ▪ PPP-trainings (engl. + french; Burkina Faso, Ghana) ▪ Process consulting / design and change management in VCD (RSA) ▪ Curricula on VC and standards for African universities (Ghana) ▪ Concept for gearing training to VC Development (Kenya) ▪ Peasant entrepreneurship training (BUS, forthcoming, Burkina Faso) ▪ Reform + management of extension services 	<ul style="list-style-type: none"> ▪ Framework for rural service systems ▪ Research management handbook (Benin, french) ▪ Extension approaches ▪ Quick inventory / appraisal of value chain specific technologies through research institutes (Benin) ▪ Farming as a Business – manual on micro-economics for different VC (Kenya) 	<ul style="list-style-type: none"> ▪ Integrating value chain concept / private sector matters into higher policy levels ▪ Cross-country lessons learned from 4 progress reviews of VC-promoting programs ▪ Experience with EurepGAP certification of smallholder groups (Kenya, Ghana) ▪ PPP experience 	<ul style="list-style-type: none"> ▪ Annual SNRD meeting⁵ ▪ Africa Forum RD-policy platform ⁶ ▪ VC-Peer learning ▪ VC-specific priorities of innovation and research (for CGIAR-centres 2005/2006)
MM4P Project with SNV Asia IFAD			<ul style="list-style-type: none"> ▪ Manual / tool book Making value chains better work for the poor (with SNV) ▪ Manual on participatory market analysis 		
Neuchatel Initiative				<ul style="list-style-type: none"> ▪ Market oriented advisory services 	

⁴ since 2005 : National and international staff, DED advisors and consultants of 16 programmes in 8 countries.

⁵ since 1996

⁶ since 1996

Who	Formal qualification	Training for practitioners	Manual / tools	Concepts innovations	Networking
SDC			Working paper "Donor Intervention for Value Chain Development"	<ul style="list-style-type: none"> ▪ Best practices on value chain development , Cluster Development ▪ Paper: Making Markets Work for the Poor: Comparative approaches to Private Sector Development (Value Chains, Subsector, Cluster, Enabling Environment, LED) 	<ul style="list-style-type: none"> ▪ Online debate "Value Chains in Rural Development" on www.sdc-valuechains.ch ▪ Community of practitioners (approx. 100 persons)
USAID		<ul style="list-style-type: none"> ▪ Training on value chain development ▪ Capacity development / supply of market information 		<ul style="list-style-type: none"> ▪ PPP experience 	
World Bank Africa Division World Bank Institute		<ul style="list-style-type: none"> ▪ Distance learning on different value chain related topics 	<ul style="list-style-type: none"> ▪ Guidebook / Toolkit on value chain development with focus on agribusiness + Sub-Saharan Africa (forthcoming 7/2007) 		
<u>Missing:</u> AFD, DANIDA, Canada, FAO, IFAD, SIDA, NORAD, JICA ...					
<u>Missing:</u> Private sector companies / lead firms					
<u>Consultants / consultant firms</u>			<ul style="list-style-type: none"> ▪ Tool book on support to the development of producer organisations 		

What do we need to improve implementation and assure impact?

- More support, networking and best practices on impact monitoring of VCD
- Internalization and consequent use of the impact chain concept
- Standards in impact assessment and M&E
- Public-Private sector partnerships for result-based monitoring
- More partnerships with other programs active in VC promotion
- Private sector-led VC coordination mechanisms
- Investment in pro-poor value chain development
- Use tools (MM4P, MVC4P) and give feed-back → to MM4P-Project
- Cooperation with Research and Development and companies (gtz LAC)
- Join hands in the field of capacity development
- Learn from failures

Recommendations – proposals for Networking

