



Federal Ministry
for Economic Cooperation
and Development

International Conference: Value Chains for Broad-based Development

30 May – 1 June 2007, Berlin

Summary of Discussions and Results of the Conference



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development and Cooperation SDC

State Secretariat for Economic Affairs SECO

gtz



The German Development Cooperation (BMZ and GTZ), the 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“ that was held in Berlin on May 30-31. Around 200 specialists and practitioners of value chain promotion participated. The conference was complemented by a follow-up meeting of representatives of major development agencies active in value chain promotion on 1 June.

Promoting value chains has become an important field of economic cooperation in recent years. Hence, the first objective of the conference was to take stock of the practical experience. Indeed, the development projects present at the conference showed an impressive record of successful initiatives. The documented know-how demonstrates that value chain promotion has been established as a solid, widely used concept.

The second objective of the conference presented a much greater challenge – finding answers to the question how value chain work can become more socially inclusive benefitting a greater number of poor and securing their position in the market.

The issue was first taken up by a panel representing the perspectives of the major stakeholders in value chain promotion, i.e. national government, private companies and the NGO community taking sides with poverty groups. While there is agreement that all sides have a role to play in building markets, the debate is about the balance between market forces vs. public interventions. Development research confirms that the idea of “pro-poor growth” inevitably entails a trade-off between social and business objectives. Nevertheless, the value chain framework not only helps understanding conflicts of interest better, it also provides a platform for new alliances. In fact, social values do contribute to shaping consumer preferences.

In the second panel, representatives of German Development Cooperation (GTZ), World Bank, USAID, ILO, International Trade Centre (ITC), the Inter-American Development Bank (IADB) and SECO reacted by presenting their response to the challenge posed. Every agency follows the idea of market development but uses the value chain lens to highlight different elements. Two aspects stand out, i.e. the strategic positioning of value chain promotion in increasingly dynamic markets (USAID, GTZ, ITC, SECO and IADB) and the systematic screening of constraints to competitiveness that can be addressed by policy (World Bank-FIAS and ILO). Market regulation with social and ecological standards and innovation of products and business are ways to enhance outreach and confront the race to the bottom. It turned out that the different approaches to using the value chain concept are complementary.

A third panel of international trade experts went further into the policy dimension of value chains, and especially the Economic Partnership Agreements (EPAs) offered by the European Union to African countries. Although the panelists did not agree on the best way of shaping European trade policy for Africa, it became clear that capturing any emerging new business opportunities presupposes a thorough understanding of the respective value chains.

The issues raised in the panel sessions were discussed extensively in four working groups covering the major topics in chain promotion, viz. addressing policy matters, methods of chain promotion, improving market access, and direct interventions promoting the poor in value chains. Each group conducted three sessions discussing the three lead questions of the conference:

1. *How can we maximize the pro-poor outreach?*
2. *How can we avoid a race to the bottom?*
3. *How can we enhance the effectiveness of capacity building?*

The idea was not to generate a consensus on the answers but rather to identify directions for the further development of the value chain approach. Across the working groups discussions focused on the first lead question, and the poverty alleviation goal in particular. A second

focus concerned the issue of scale, i.e. the demand on development policy not only to reach the poor but to reach significant numbers of them. The arguments can be clustered into a few key statements:

1. The **value chain approach** contributes to reducing poverty if it is employed strategically and concentrates on targeting the poverty problem. 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 value chain 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. However, we need much better monitoring tools to guide pro-poor value chain promotion.
2. **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**.
3. The **cooperation between development agencies and the private sector** is a precondition sine qua non. Companies are needed as development partners for several tasks – reaching out to a large number of small suppliers, investing in technology and productive capacity, promoting policy change, supporting the introduction of social and ecological standards and innovating products.
4. 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 in using the value chain 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**.
5. **Donors have to cooperate more intensively** to improve their efficiency and impact. The services and contributions of development agencies complement and reinforce each other.

The follow-up meeting to the conference had the objective to take stock of the large number of projects, initiatives and regional fora activities that exist already. Participants agreed on the need for a much better 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.