Value Chain Development

Approaches and activities by seven UN agencies and opportunities for interagency cooperation

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IFAD Enabling poor rural people to overcome poverty

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Contents

Abbreviations

FAO	Food and Agriculture Organization of the United Nations
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
ITC	International Trade Centre
LIC	Low Income Countries
MDG	Millennium Development Goals
MDGF	Millennium Development Goals Achievement Fund
MIC	Middle Income Countries
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe
UNIDO	United Nations Industrial Development Organization
VC	Value Chain
VCD	Value Chain Development

Foreword

Promoting value chain development is increasingly being recognized as a promising approach to address not only economic development, job creation and inclusive growth, but a wider range of social and environmental development issues.

In recognition of the increasing importance of value chain approaches in development, experts from seven UN agencies met in July 2010 in Geneva to explore how the UN could enhance the effectiveness of its work on value chain development and improve coordination and collaboration across agencies within the spirit of UN Reform and "Delivering as One". This meeting marked the creation of the so called "United Nations Value Chain Development Group (UN VCD Group)".

The UN VCD group is working to: i) increase the coherence of the UN's work in value chain development and to thereby enhance effectiveness and recognition of the UN system as a credible partner in value chain development; and ii) enhance learning, coordination and collaboration among UN agencies in the formulation and implementation of value chain development initiatives at country and regional levels. The group is broadly driven by the recognition that the UN system could be a more effective partner in this important area of work if it further combined the far-reaching competencies and expertise it has. The group as of July 2011 is composed of ten UN agencies actively engaged: FAO, IFAD, ILO, ITC, UNCDF, UNCTAD, UNECE, UNDP, UNIDO and WFP. It is an informal group and consists of individuals who are not officially appointed by the agencies but who are renowned for their expertise and experience in the field of value chain development. Staff from any UN agency with substantial work on value chain development is free to participate. The group is currently co-chaired by ILO and UNDP.

This report is a first output of the work of the group. Based on a review of main publications, internet presentations and internal information it outlines the different approaches and perspectives that seven of the UN agencies apply in their work on value chain development. It also points to some of the challenges the UN system is facing in enhancing its effectiveness and coherence and offers some initial consideration for how the UN system could leverage its strengths further in value chain development.

The first and third parts of the report were written by two consultants of the German Development Institute with inputs from participating UN agencies. The middle section is a compilation of contributions by the 7 UN agencies that were part of the survey. The report was edited and compiled by Merten Sievers at the ILO with strong support from Casper Sonesson and Eva Gauss at UNDP.

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Introduction

Strengthening or establishing value chains is an instrument of private sector development that is today widely used by bi- and multilateral donors. Global value chain analysis became popular in the 1990s when e.g. Gereffi and Korneziewicz (1994) showed how global commodity chains developed over time, how the division of labour in the production process is distributed globally and how this affects the distribution of income and profits between developing and developed countries. The majority of business research, however, did initially focus on domestic and international value chains in the context of industrialised countries. In the context of developing countries, researchers and donors were focusing on private sector development, and adopted the value chain concept somewhat later.

Altenburg (2007) puts forward two main reasons why value chain development activities have become increasingly popular within the donor community since the end of the 1990s. First of all, the link between growth – or more specifically private sector development – and poverty reduction became more and more evident. Donors were thus able to legitimize stronger efforts to support private sector development. Secondly, increasing openness to trade and foreign direct investment led to higher competitive pressure on global but also on domestic markets. This global integration, where production and trade relationships are nowadays much more coordinated, leaves less space for individual firms to design, produce and market on their own. Donors have thus realized that it is important to understand how these integrated production and trade relationships are coordinated and how firms in developing countries can be integrated to benefit from them. Altenburg (2007: 4) argues that *"the question is thus not if, but how to integrate in value chains in a way that allows for incorporation of a growing number of the workforce and increasing levels of productivity and incomes."*

The promotion of value chains is a complex challenge within the realm of private sector development and beyond. Actors in a value chain may range from microenterprises to multinational corporations, and it is thus beyond doubt that developing a holistic approach to deal with such diverse actors is challenging. Moreover, these actors – the different links of the value chain – can be embedded in quite different environments. Domestic value chains may e.g. link rural producers with urban marketers; in global value chains producers from developing countries might for example be linked to firms in industrialised countries. The specific location of firms implies differing regulatory frameworks and differing access to input factors and information.

While all this makes interventions to develop value chains difficult, the potential of such interventions for local economic development and poverty reduction is significant. Take for example the "Micro and small enterprise development for pro-poor growth in Sri Lanka" (short: Enter-Growth) project, which was implemented by ILO from 2005 to 2008. Among other activities value chain development interventions took place in the floriculture sector and the dairy and fish industry. The respective impact studies[1] found positive developments in various areas and in general confirm the usefulness of

[1] The three studies: "Intervention Report: Promoting export anthurium flower production in the North Western Province", "Intervention Report: Local Value Chain Development of the dairy industry in Kurunegala District" and "Intervention report: Local Value Chain Development of Ornamental Fish in Polonnaruwa" can be accessed here: http://www.value-chains.org/dyn/bds/docs/detail/707/4.

the value chain approach to promote local economic activity by upgrading businesses and linking them to new markets. In addition to that, an analysis by the Springfield Centre (2010: 20,21) argues that e.g. the intervention in the floriculture sector had a more general impact on the market systems and helped to make the market more inclusive by achieving: *"the establishment of a national Tropical Floriculture Association which represents small scale growers; a change in attitude by government towards the floriculture sector, recognising it as one of strategic economic importance. (...) a tighter focus by service providers on the real needs of market players."*

The example shows that value chain development does work; the complexity of interventions nevertheless requires expertise in various areas. A well-designed division of labour among UN agencies is therefore likely to further increase efficiency of interventions. Agencies have specific strengths, and combining and coordinating these strengths will prove helpful in dealing with the diverse actors and the specific challenges they are facing. In a sense such a division of labour among agencies is similar to the division of labour in a value chain: Agencies are to a certain extent specialized and they have specific strengths, thus they can offer specific support services in specific contexts to different actors in the value chain. Yet, as in a value chain, this will also require efficient and well-governed coordination of agencies. Some first considerations regarding how seven UN agencies might seize opportunities for interagency cooperation to further improve the efficiency of value chain development activities are presented in this paper. The paper first briefly sums up some main messages of current research on value chain development and their relevance for developing countries. A brief overview of value chain development approaches and activities by seven UN agencies then follows. This section of the paper has been contributed by the specific agencies. Finally, the main authors of this paper conclude by highlighting some of their critical observations and recommendations concerning the usage of the value chain approach within the UN system.

1. Research to date on value chain development and developing countries

Research on value chains initially focused on those in industrialised countries, before studies were undertaken that also investigated the relevance of value chains for developing countries. Stamm (2004) describes the different approaches that analysed and explained vertical firm linkages before the current idea and understanding of value chains developed. Indeed the older approaches were very much dominated by research on vertical firm linkages in industrialized countries. The value chain concept gained in importance for developing countries because it became obvious that successful exporters from developing countries were often linked to global value chains. For donors, linking local producers to global value chains therefore quickly became an important activity within their private sector development portfolios. The recent scientific discourse on the value chain approach is characterized by a rather high degree of "fuzziness", the interpretations range from a more or less technical description of the steps from the inception of a good to its consumption and the disposal of its residues, to analysis of the complex interactions among the actors, based on concepts of political economy.

Value chain analysis often starts with linear mapping of activities in the chain from the initial input suppliers at the very beginning of the production process to the final consumption of products or services[2]. Subsequently, interventions by donors to develop a specific value chain aim at increasing the efficiency of existing links or establishing new ones. Humphrey and Navas-Alemán (2010) identify four different objectives of donor interventions when they are supporting value chain development (see Figure 1):

(1) strengthening the weakest link to address a possible bottleneck in the chain,

(2) improving flows of knowledge and resources to make all firms in the chain more productive,

(3) improving specific links between firms, again to improve the efficiency at an identified bottleneck and

(4) creating new or alternative links in the chain, which e.g. aim at linking local firms in developing countries to global value chains or linking to new, additional lead firms.

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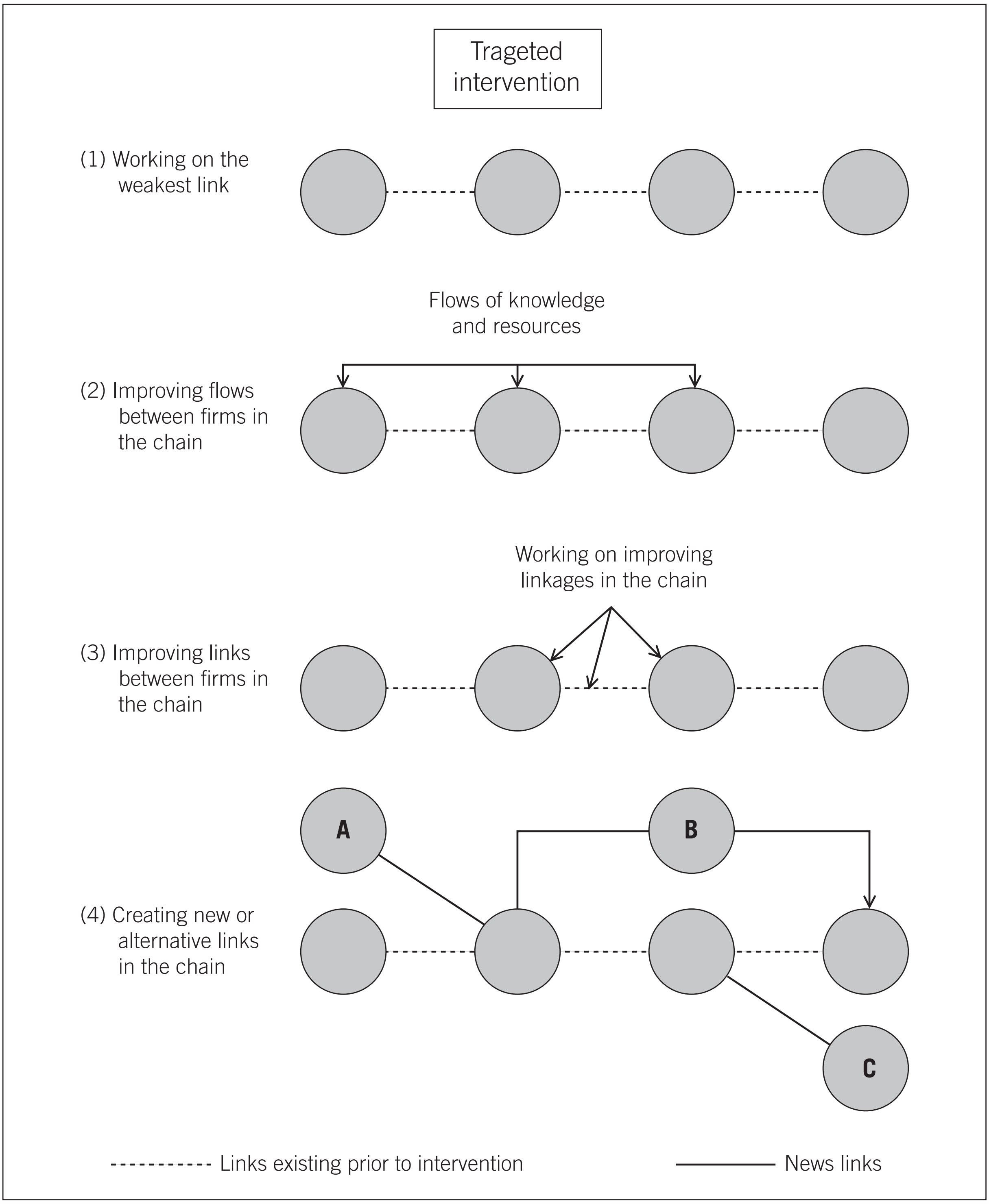
[2] While a linear understanding of value chains can often help to approach a specific value chain, Henderson, J., et al. (2002) point to the fact that a rather linear understanding of a value chain can be misleading as we tend to find value networks of firms. Systemic thinking about firm networks is therefore important when analysing and developing value chains as an intervention on firm A may possibly not only impact on its relationship to firm B but also on other firms that are not within the immediate focus of intervention.

Figure 1: Typology of objectives for value chain interventions



Source: Humphrey and Navas-Alemán (2010: 63)

Working with lead firms is nowadays often regarded as the most promising way to upgrade firms in developing countries. This approach aims at working with the strongest link, rather than the weakest. Lead firms can be regarded as the strongest link, given their bargaining power and their coordinating role in the chain. Stamm (2004) argues that the initial idea of building value chains bottom-up is difficult if not impossible to realise in face of the many established global value chains and their coordination by lead firms. Trying to export outside these established chains might be possible if niche markets could be targeted directly. Most often, however, linking local producers to existing value chains in coordination with lead firms will be the only realistic option.

If agencies are working with firms in developing countries that already belong to a specific value chain, it might sometimes also be possible to diversify production and link to other value chains as well. In a recent study on how sectors grow, the McKinsey Global Institute (2010) points to the fact that most often firms innovate gradually and further specialization or the improvement of products is therefore likely to happen within a sector but not in a completely different sector that is new to the economy. Therefore, apart from linking previously unlinked firms to a value chain, it seems also to be an option for value chain development to try to link firms of a specific value chain to other value chains to ensure competitiveness and avoid dependencies.

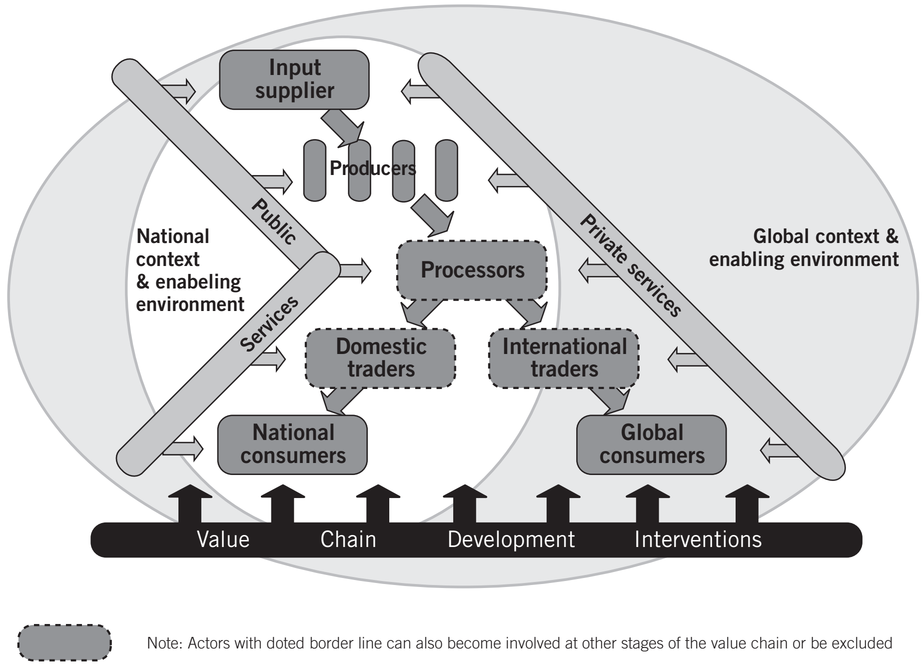
A more systemic view of value chain development needs to take into account not only of the firms that are part of the actual core production chain, but also other actors that are impacting on the chain. Hartwich and Kormawa (2009) distinguished four different groups of actors in a value chain context that refers to both local and international markets (seen Figure 2): the firms that are part of the value chain, public and private service providers whose services are requested by the firms that are part of the value chain, and actors that undertake value chain development interventions. Apart from interactions between actors, the national and global context (e.g. investment climate, trade agreements) determines the context in which value chain actors evolve.

Mapping and analysing the vertical linkages is certainly often important to identify possible weaknesses in a value chain. It is, however, equally important to think about the horizontal linkages of the firms that are part of the value chain.

Considering the vertical and horizontal linkages reflects systemic network thinking. For example ILO (2010: 46) suggests that: "vertical value-chain interventions focus on strengthening dialogue between large enterprises that dominate the value chain and smaller enterprises in order to identify opportunities for increased participation in the value chain by small, local firms. Horizontal value-chain interventions focus on the access that smaller, less powerful businesses have to the business and financial services they require to participate more effectively in national and global value chains, as well as to the collective actions they can engage in through business associations and cooperatives."

Considering the horizontal linkages and impacts is also especially important with regard to environmental and social impacts. Hartwich and Kormawa (2009) argue that environmental issues have not featured prominently in most value chain analyses. In fact the question of what happens with a product at the end of a value chain has indeed been addressed in more recent studies and support programmes. What might be termed the final vertical link in the chain – when the consumed product turns into waste – has received some attention in the context of how far recycling of waste is possible and maybe even profitable. In addition to that, it is important to think about the recycling of waste that is generated in the production process at the different stages of the value chain. The au-

Figure 2: Map of generic value chain



Source: Hartwich and Kormawa (2009: 26).

thors highlight a couple of issues that might impact on the immediate surroundings of firms at a specific stage in the value chain. Local production might e.g. impact on local biodiversity, water and ecosystems. While these possibly negative impacts are well known it is nevertheless important to consider such possible impacts during value chain development. Attention is too often focused on the vertical linkages i.e. the stages of the development of a product in the value chain, and less on horizontal linkages and impacts in the value chain.

Bolwig et al. (2010) also describe how initially value chain theory and analysis were focusing too closely on the vertical business-to-business links in the chain. But, especially for development cooperation, it is important to understand how business activities of firms that are part of a value chain do impact on the horizontal level. Here the authors also point to environmental and social impacts that need to be considered (see their figure in the Annex). Often the focus of pro-poor value chain development activities is on linking firms to global value chains to increase demand for products, thus creating additional jobs locally. While in principle job creation is a desired impact, there still might be negative effects in local communities. For example, if the production process in a firm is optimised through longer shifts or even night shifts this might be good for productivity but at the same time might make it difficult for women to benefit from the new employment opportunities since in many developing countries women are predominantly still taking care of children and housekeeping. Also, the upgrading of the quality of production and products in a local firm may negatively affect the firm's local suppliers if they are unable to meet requirements for higher product quality. In theory upgrading of the firms in the value chain will step by step also lead to an upgrading of firms that are connected to the firms in the value chain, due to knowledge transfer etc. However, in the short term it might be difficult if not impossible for firms to continue their business with the firm that is part of the value chain.

To sum up, value chain development approaches have evolved over time and nowadays frequently need to be more complex interventions as working on the vertical linkages is often no longer sufficient. Successful promotion of value chains today depends on the integration of public and private service providers and on creating an enabling environment. In addition to that, impacts on the horizontal level need attention. Therefore, a division of labour among UN agencies regarding the promotion of value chains is a sensible approach. Combing and coordinating specific strengths will ease dealing with diverse actors and working on different levels.

Considering the increasingly complex analytical approaches to value chain development (e.g. vertical vs. horizontal linkages) and the variety of development-oriented objectives (economic competitiveness, social outreach, environmental sustainability), the challenge to development cooperation is clearly to find ways of reconciling the required comprehensiveness of the approaches on the one hand, and on the other the need to provide clear guidance for policy making and the shaping of interventions on the micro- and meso level. The following chapter describes how seven UN agencies deal with the topic as such and the challenge described.

2. Brief overview of value chain development approaches and activities by seven UN agencies

The following overview of the approaches to value chain development of seven UN agencies briefly describes each agency's understanding and approach towards VCD as well as their common practices in VCD, and also highlights a few instruments and common practices. All seven agencies are also members of the UN Chief Executive Board's Cluster on Trade and Productive Capacity[3], an interagency mechanism dedicated to the coordination of trade and development operations and within the UN system.

The individual chapters have been submitted by representatives of the agencies themselves, following a common reporting structure provided by the authors. Given the time constraints this proved to be the most satisfactory approach compared to compiling individual chapters from the available (published and grey) literature and a limited number of interviews conducted by the authors. The descriptions of two further agencies, UNCDF and UNECE, that have joined the UN VCD group were not included in the original research and as such do not appear in the main part of the text but in Annex I and in Annex II.

2.1 International Fund for Agricultural Development

The International Fund for Agricultural Development (IFAD), a specialized agency of the United Nations, was established as an international financial institution in 1977 as one of the major outcomes of the 1974 World Food Conference. Currently, 165 countries from all parts of the world are members of IFAD. Over three decades IFAD has been dedicated to eradicating rural poverty in developing countries. IFAD's overarching goal is to enable poor rural people to improve their food security, raise their incomes and strengthen their resilience.[4]

[3] http://www.unctad.org/Templates/StartPage.asp?intItemID=4793&lang=1. The UN CEB cluster serves as a coordination forum for trade and productive capacity related outcomes in UN Development Assistance Frameworks as well as joint programmes of member agencies.

[4] IFAD Strategic Framework 2011-15: http://www.ifad.org/gbdocs/eb/102/e/EB-2011-102-R-2.pdf.

VC approach/instruments and definition

Value chain projects are being increasingly financed in IFAD projects as there is growing realization that unless efforts are made to improve access to markets and farm-gate prices, farmers will not secure the full benefits from their efforts. In IFAD's investment portfolio value chains projects have increased from 3.3% out of all projects approved in 1999 to 45.5% in 2009[5]

While many definitions of value chains exist in the current literature, in IFAD the value chain development approach is considered as an intervention that finances the necessary activities to address the constraints – or bottlenecks – on the development of a particular agricultural product in a coordinated manner, to benefit the smallholder farmers. A pro-poor value chain intervention is one that addresses the full range of activities and constraints of a particular agricultural product (e.g. input supply, market-oriented technology development and its transfer, infrastructure development, credit, capacity building, processing and marketing) in a coordinated manner, and is explicitly designed to include the rural poor in the resulting benefits.

Typical roles

IFAD finances a fairly broad range of activities within the value chain. These include the following:

1. Establishment of and support to farmers' organizations to improve producers' bargaining power, to bulk produce and to lower transaction costs;

2. On-farm storage (e.g. warehouse receipts) for farmers to benefit from seasonal price fluctuations;

3. Contract farming;

4. Out-grower schemes;

5. Market linkages between producers and processors;

6. Infrastructure development;

7. SME development for value-added processing;

8. Support for certification and improving quality standards.

Effective outreach to the poorest and to women is important for IFAD-invested value chain programmes.

[5] Pro-poor Rural Value Chain Development report, IFAD, 2010.

Instruments / projects

IFAD is increasingly shifting attention towards governance in favour of the poor, with a clear objective of improving farm-gate prices. With about 1.3 billion people in the world engaged in agriculture, improving farm profitability is the key to retaining the interest of many to remain in rural areas. Improving farm-gate prices will help improve farm profitability and this will directly impact upon rural growth and, with it, on-farm employment. Rural growth will also create a remunerative environment for SMEs and facilitate investments by the private sector in rural areas.

Geographical scope

With a clear focus on the poorer strata of the population, IFAD adopts the value chain approach in Middle Income Countries (MIC) as well as in Low Income Countries (LIC). A recent analysis has shown that the value chain approach is being adopted by all regional divisions within IFAD. Of all value chain projects in IFAD, 25% are in Western and Central Africa, 13% in Eastern and Southern Africa, 27% in Asia and the Pacific, 13% in Latin America and the Caribbean, and 22% in the Middle East and North Africa[6]

2.2. International Labour Organization

The ILO was founded in 1919, as part of the Treaty of Versailles that ended World War I and to pursue a vision based on the premise that universal, lasting peace can be established only if it is based upon decent treatment of working people. The ILO became the first specialized agency of the UN in 1946. The ILO is the only “tripartite” United Nations agency bringing together representatives of governments, employers and workers to jointly shape policies and programmes.

Four strategic objectives guide the ILO programme and budget: (i) to promote and realize standards and fundamental principles and rights at work; (ii) to create greater opportunities for women and men to secure decent employment and income; (iii) to enhance the coverage and effectiveness of social protection for all; and (iv): to strengthen tripartism and social dialogue.

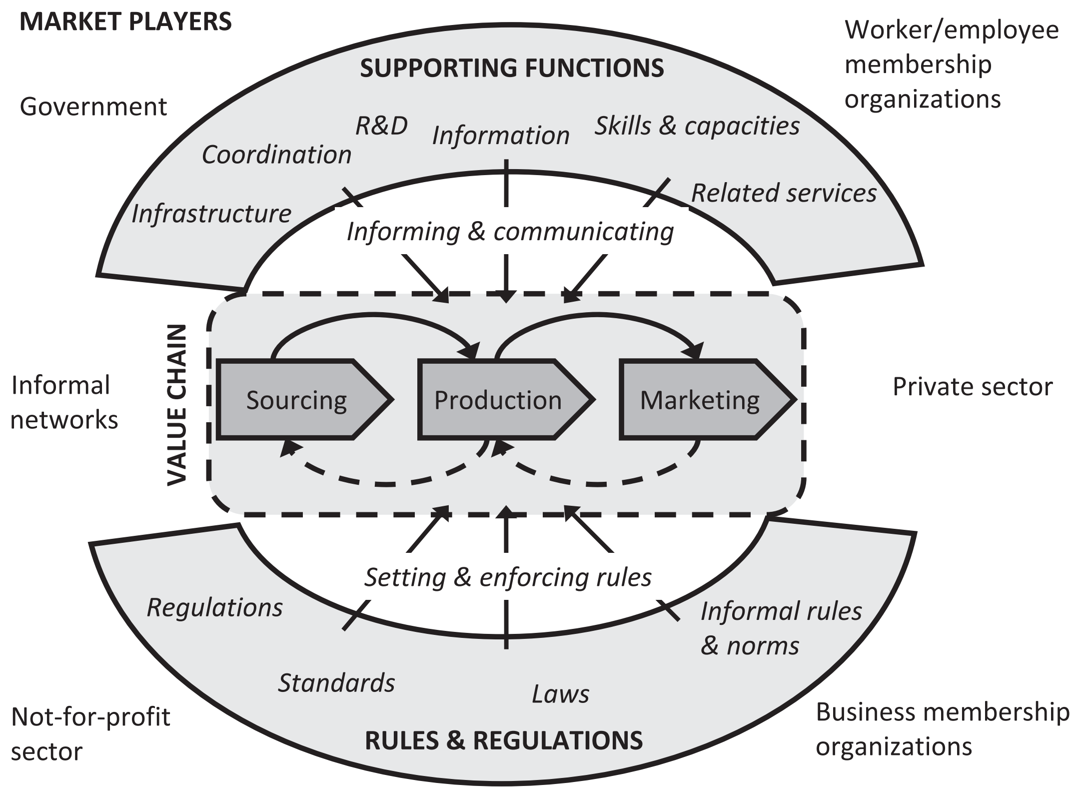
VC approach and definition

ILO projects linked to Value Chain Development are mainly based in the fields of Job Creation and Enterprise Development. Currently 25 projects in 20 countries have Value Chain Development linked to employment and job quality improvement as their core objective (see: www.ilo.org/valuechains). However several other departments play an important role in linking VCD to ILO’s core competencies,

[6] Figures were last updated in July 2010, and are extracted from the *Pro-poor Rural Value Chain Development* thematic study, IFAD, 2010.

this includes (i) the International Training centre of the ILO in Turin, offering a variety of courses linked to Value Chain development (see www.itcilo.org/emld) (ii) the Skills department, that uses VCA to analyse skill needs in value chains; (iii) the Better Work programme, a joint ILO IFC programme that works with first-tier suppliers of multinationals on labour standard compliance: (www.betterwork.org) ; (iv) the sectoral activities department, which focuses on social dialogue in specific sectors often along value chains (www.ilo.org/sector); and (v) ILO's participation in the research network called Capturing the Gains analyses the high road to upgrading global production networks and value chains (www.capturingthegains.org). Publications and projects are related to ILO's core competency of creating employment, advocating a move towards decent work conditions and gender equality.

The ILO focuses on the local, national and international value chains that have the best chances of either increasing employment and/or improving working conditions. ILO's projects currently work with 50+ subsectors evenly distributed between agriculture, services and manufacturing. It uses a market systems analysis that stems from the "making markets work for the poor" approach (see image below).



Source: ILO, based on a Springfield Centre Model (see the ILO "Value Chain Development for Decent Work" Guide 2009, p. 26).

The 2010 Strategic Framework of the Sustainable Enterprises programme makes a distinction between *vertical* and *horizontal* value-chain interventions[7]: in the following way:

- Vertical value-chain interventions focus on strengthening dialogue between large enterprises that dominate the value chain and smaller enterprises in order to identify opportunities for increased participation in the value chain by small, local firms.

- Horizontal value-chain interventions focus on the access that smaller, less powerful businesses have to the business and financial services they require in order to participate more effectively in national and global value chains, as well as on the collective actions they can engage through business associations and cooperatives.

Typical roles

Through its projects the ILO acts as a facilitator of Value Chain development processes that bring together the core public and private stakeholders in Value Chains. Increasingly the ILO acts as a back-up and capacity builder of local VCD facilitation bodies in developing countries. The ILO uses the “Making markets work for the Poor” concept.

The ILO has a long history of providing training for enterprise development through its International Training centre in Turin (www.itcilo.org) and as such also acts as a training provider for other international and national organizations in core methodologies related to VCD. This includes courses on designing and executing Value Chain development projects and interventions.[8]

Instruments and/or projects

Under its strategic objective to create greater opportunities for decent employment, a series of projects have been or are currently being implemented. Enterprise development is a significant but clearly not a dominant activity of ILO. A recent stocktaking disclosed 25 projects related to the VC concept[9], located in Latin America and Caribbean, Asia and Africa. Other UN agencies are involved in about half of these projects (i.e. through the MDG fund); ILO has the lead in some of these joint projects.

In the headquarters value chain promotion is linked to the “Sustainable Enterprise strategic Framework” with its three pillars: 1) Creating Enabling Environments; 2) Entrepreneurship and Business Development and 3) Sustainable and Responsible Workplaces. One of the three focus areas of pillar 2 within the Sustainable Enterprise programme is called “Value-chain approaches for employment and quality jobs”.

Important tools for VC promotion include: “Value Chain Development for Decent Work: A guide for development practitioners, government and private sector initiatives”,, “Making the strongest links:

[7] Enterprise Department Strategic Framework 2009: page 46, footnote 25.
[8] See for example: www.itcilo.org/marketdev.
[9] Forthcoming in 2011: ILO VCD Portfolio Analysis.

A practical guide to mainstreaming gender analysis in value chains", and ITC ILO's course "Enterprise development through Value Chains and Business services Markets: a Market development Approach to Pro-Poor Growth"[10] . The ILO is also developing sector-based workplace practice improvement training packages that underscore ILO's core role in improving job quality in value chains under the SCORE project: www.ilo.org/score.

2.3. United Nations Industrial Development Organization

The United Nations Industrial Development Organization (UNIDO) was established in 1966 and has been a specialized agency of the United Nations since 1979. Currently it has 173 members. UNIDO's mandate is to promote and accelerate sustainable industrial development in developing countries and economies in transition, and to work towards improving living conditions in the world's poorest countries drawing on in-house and global sources of expertise. In recent years, UNIDO has assumed an enhanced role in the global development agenda by focusing its activities on poverty reduction, inclusive globalization and environmental sustainability.

VC approach and definition

UNIDO has taken part in some of the seminal works on the concept of global value chains and its application to specific industries. Examples are the studies on the global apparel industry (Gereffi and Memedovic 2003) , the agri-food sector (Humphrey and Memedovic 2006) or the global furniture industry (Kaplinsky, Memedovic, Morris and Readman 2003) . While those works were analytical in nature, deriving a wealth of policy recommendations on the global level, recent UNIDO work has focused on how to conduct industrial value chain analysis to meet sustainable industrial development goals in the context of less developed countries. Examples include the development of leather value chains in East Africa and the cotton value chain in West Africa. UNIDO's recent approach uses a more systemic perspective of development in which partnering and collaboration with public and the private sector are imperative.

According to the Medium-term Programme Framework 2010-2013 UNIDO conducts value chain development within its thematic priority to reduce poverty through productive activities. UNIDO also acknowledges that support to value chain development can work towards different development goals including poverty alleviation, job creation, increased export competitiveness, sustainable development, and economic diversification. UNIDO assumes that the private sector plays the leading role in value chain development both in production and provision of complementary services. Lead firms can play a crucial role in value chains by opening new consumer demands and quality requirements to primary producers and suppliers. Through institutional capacity-building, governments can be empowered to play a more pivotal role in value chain development. National governments and international organizations can also provide support to the intermediary organizations which are crucial in supplying information and knowledge-based services such as technical training and facilitating coordination among actors in the value chain.

[10] See www.ilo.org/valuechains.

Typical practices

UNIDO starts by looking at value chains from a processing/transformation point of view. It sees a value chain as "the entire range of activities undertaken to bring a product from the initial input-supply stage, through various phases of processing, to its final market destination, and it includes its disposal after use". UNIDO finds that many value chain development programmes in Least Developed Countries only focus on primary production tasks and market/trade-related issues while neglecting other tasks with higher value addition. Other aspects often neglected in these programmes are the governance of the chain, sustainable production and energy use, access to finance, and the business environment and policy context.

UNIDO has developed various training courses for value chain and competitiveness analysis, which have been implemented successfully in several Latin American countries, and which resulted in case studies on the pineapple, lime and lemon, and cocoa value chains in Ecuador and the leather value chain in Paraguay. The training aims at transferring the value chain analysis methodology to governments and private sector agencies so that they can produce similar studies on a cost-effective and sustainable basis while country specificities and value chain contexts are considered. The approach puts emphasis on the use of export unit values to map value-addition throughout the chain. Methodologically, it suggests four levels of analysis: i) analysis of global and regional dynamics to assess demand; ii) analysis of country role models and threats to identify best practice and competition; iii) the assessment of the viability of value-added by-products within the chain (e.g. coffee essence in the coffee value chain) given a country‘s capabilities; and iv) qualitative assessment of demand- and supply-driven aspects influencing a country‘s competitiveness performance in a value chain.

Instruments and/or projects

In the field of trade capacity building, UNIDO has used the value chain approach to help countries respond to market requirement and regulations. Examples here are the sugar industry in those ACP countries complying with EU regulations, and the food sector in Egypt responding to new regulations for traceability. In some cases this had substantial positive effects on the inclusion of the poor in the value chain, for example in the cinnamon value chain in Sri Lanka.

In the field of investment and technology promotion, UNIDO has established a Network of Investment and Technology Promotion Offices (ITPOs), which assist companies at different value chain stages to develop investment proposals on value chain upgrading. Subcontracting and Partnership Exchange Centres (SPXs) offer services in the area of supplier–buyer match-making and fostering the creation of linkages with manufacturing companies that are situated further downstream in the value chain. The SPX company benchmarking tool helps companies in the value chain to gauge their competitiveness vis-à-vis global best practice and provides the basis for focused and prioritized interventions.

In agribusiness development, UNIDO uses the value chain approach to target the interface between agricultural production and agro-industries, which is often where root causes of poor market integration can be found. Working with the food, leather, textile, wood and non-wood forest product industries, as well as agro-machinery and rural engineering, UNIDO reaches out to a comprehensive analysis of a range of economic parameters such as productivity, adequacy of technology and know-how used, post-harvest losses, storage capacities and existing quality and safety control of agricultural products.

With regard to industrial policy, UNIDO recognizes the importance of sectoral prioritization and value capture within the chain. The policy advice group uses value chain analysis to identify bottlenecks and opportunities to pinpoint sector-specific recommendations to policy-makers. It places particular emphasis on the marketability of products as a demand stimulus as well as the impact on sustainability (greening the value chain) and poverty (pro-poor value chains).

With regard to sustainable use of resources and energy, UNIDO deals with issues of soaring and volatile energy prices and disruptive and unreliable energy service provision in developing countries. Value chains need reliable and affordable sources of energy if they are to be competitive. They also need to be resource-efficient. The challenge is to find an appropriate balance between energy needs, including its contribution to economic growth and competitiveness, and the growing need to protect the planet from climate change and other negative effects of energy use. The main focus of work on renewable energy is on development of decentralized power supply options for rural areas in off-grid areas, with special emphasis on productive uses and industrial applications. In many cases, this opens up new opportunities for economic activities in value chains.

Geographical scope

UNIDO's value chain development activities cover all regions of its engagement including Africa, the Arab World, Asia and Pacific, Europe and New Independent States and Latin America and the Caribbean. Most activities, however, are concentrated on the African continent.

Current interagency cooperation in VCD and future potential

UNIDO is engaged in a number of projects where it actively collaborates with UN agencies such as UNDP, IFAD, FAO, ILO, ITC and many others. For example, within the MDG Fund UNIDO is involved in a number of projects with FAO, ILO and UNDP where it takes over the explicit role of productive development and value addition. In the field of agriculture together with FAO and IFAD it promotes and implements the Africa Agro-industry and Agribusiness Development Initiative (3ADI), an initiative signed by African heads of state and Ministers of Agriculture and of Industry know as the Abuja declaration.

2.4. United Nations Development Programme

Established in 1965, the United Nations Development Programme (UNDP) describes itself as "UN's global development network" on the ground in 176 countries and territories. Its overall focus areas of work are poverty reduction, democratic governance, environment and energy and crisis prevention and recovery. For UNDP, working with the private sector, including on economic development and value chain development, is a cross-cutting area that contributes to these broader development focus areas. Typically, UNDP also coordinates the various UN agencies in each country or territory.

VC approach and definition

As an important part of its broader Inclusive Market Development approach, UNDP focuses on value chain development and in doing so aims at taking a system-wide perspective, supporting design of VC strategies that address constraints at multiple levels (micro-meso-macro). It supports addressing such constraints through a partnership approach, working with the stakeholders in the VC in a public-private dialogue and partnership process, as well as with specialized UN agencies and other technical partners. UNDP's "Inclusive Market Development Handbook" outlines a market development / VCD approach that broadly includes the following steps: i) selecting strategic pro-poor value chains / sectors; ii) assessing the sector to identify constraints and designing solutions and interventions that make the value chains work better, especially for the poor and small producers; iii) support stakeholders and partners to implement and iv) measuring results and exiting.

As mentioned, UNDP links VCD initiatives explicitly to key development issues and has substantive knowledge and expertise to support strategies and capacity development of value chain stakeholders specifically related to the following thematic areas:

- Climate Change and biodiversity protection;
- Crisis prevention and recovery;
- Trade related support;
- Pro-poor policies and institutional capacities;
- Gender and women empowerment.

Typical roles

Typically, while facilitating value chain development, UNDP acts as either a broker or a partner or both. Building on its early experiences with the Growing Sustainable Business (GSB) initiative and facilitating 40 plus Global Compact Networks, UNDP as a broker facilitates linkages, dialogues and engagement opportunities between base of the pyramid market stakeholders, larger private sector companies further up the value chain, relevant parts of government and other actors with a stake in the value chain. The main objective is to make the value chains not only more competitive but also pro-poor and environmentally sustainable.

UNDP's VC approach is built around partnerships. First, UNDP has long experience in partnering with the private sector, including around supply and value chain activities. Secondly, partnering with other specialized UN agencies is central to UNDP's approach. As such it seeks to utilize its UN coordination role in bringing together UN agencies (resident and non-resident), its extensive field presence and its close relationship to Governments to engage strategic policy makers in value chain-specific and evidence-based policy dialogue. Building on this partnership approach, UNDP is moving towards supporting national level sector or value chain "platforms", which bring together relevant private and public actors in a given sector / value chain to define strategies and implement action plans to improve sector competitiveness, inclusion and sustainability. In addition to this broader convening role, UNDP normally supports the following types of VCD activities:

- Initial consultation processes for VC selection and VC analysis
- Designing integrated VC programme framework that allows barriers at micro, meso or macro levels to be addressed in an integrated way by various partners
- Coordination and convening of relevant partner, donors, stakeholders and UN agencies
- Capacity development, including building institutional capacities at various levels (public and private)
- Specific technical expertise in areas such as biodiversity protection, climate change, gender aspects, conflict sensitive approaches.

Instruments / projects

One early relevant UNDP initiative has been the Growing Sustainable Business initiative (GSB), which worked with lead firms to facilitate sustainable and inclusive business ventures that are commercially viable and bring concrete development benefits. Many of these were value chain / supply chain related. The initiative has been undertaken in some 18 countries, working with 60+ companies. It is now being transitioned into a broader market and value chain development approach under the rubric "Inclusive Market Development". UNDP currently has some 20+ value chain projects under implementation or development around the world.

The following are some additional UNDP instruments to support VCD:

- The regional "Africa Facility for Inclusive Markets" (AFIM) provides support to VC-related initiatives in the region, including select cross-border value chain initiatives with a focus on facilitating employment and income opportunities for youth and women in Africa;
- The "Green Commodities Facility" manages a global portfolio of national level commodity-focused programmes and platforms that remove barriers and institutionalize systemic approaches and resources for scaling up production of sustainable commodities. Multi-stakeholder approaches are adopted to improve structural conditions under which producers can meet global standards, certification systems and sustainability initiatives;
- UNDP also hosts the Secretariat and is a partner in the Business Call to Action (BCtA – www.businesscalltoaction.org), which challenges and supports companies to implement inclusive business initiatives, many of which are value chain focused;
- As part of its work on trade under the Enhance Integrated Framework and Aid for Trade, UNDP uses value chain analysis as a tool for preparing sectoral chapters in Diagnostic Trade and Integration Studies (DTIS) and Aid for Trade Needs Assessments.

2.5. International Trade Centre

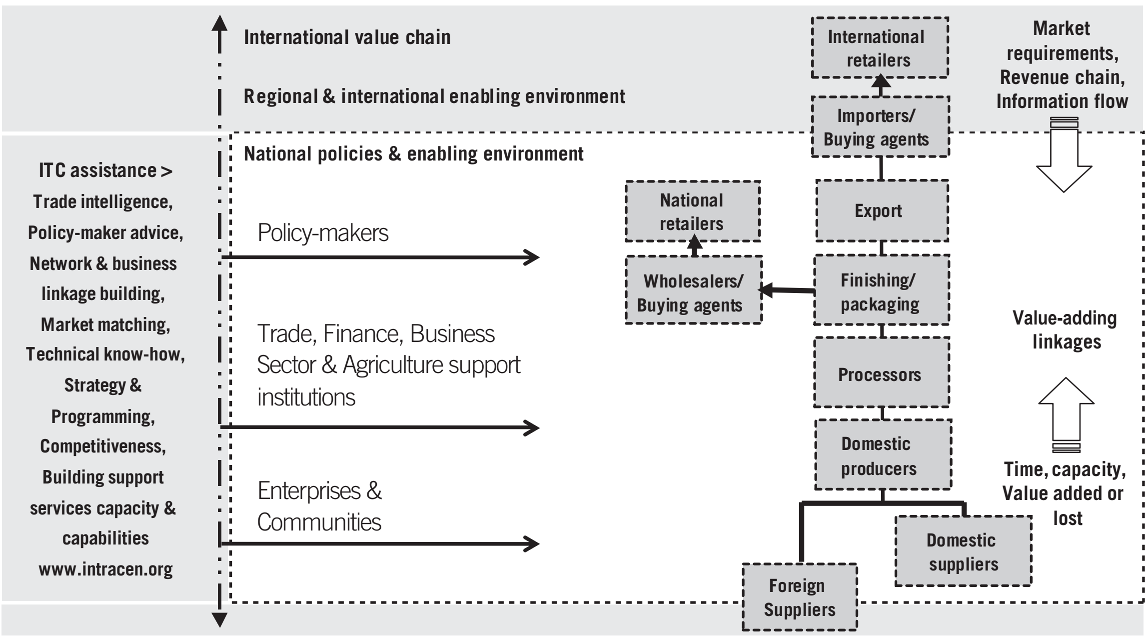
The International Trade Centre (ITC, based in Geneva) was founded in 1964 as a joint initiative of the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD). ITC's mission is to foster small business export success in developing and transition countries by providing, with partners, sustainable and inclusive trade development solutions to enterprises, trade support institutions and policymakers. ITC has a lead role in the delivery of Aid for Trade. Its products, services and development activities contribute to holistic solutions to market-led sector value chain development, enabling trade and investment.

The organization's direct links with markets, market networks and private sector actors around the world allow it to provide beneficiaries with insights to improve value chain performance for economic and social development. ITC's facilitation of sector development strategy design empowers local stakeholders to efficiently design, syndicate and coordinate multi-agency, multi-year development activities along sector value chains in response to sustainable market objectives.

ITC Value chain approaches

ITC has perfected its value chain approaches over ten years with interventions in more than 70 sectors worldwide, providing technical assistance, methodologies and supporting tools to private sector stakeholders, poor communities, government agencies, sector associations, banks and trade support

ITC & Aid-for-Trade: Sustainable development through value chains



institutions to support the design, implementation and coordination of national or regional sector and value chain development strategies. The ITC approach orientates stakeholders to market opportunities and buyer requirements, enables value chain stakeholders to design market-led development strategies, organize and coordinate their implementation, and match buyer requirements to supply-side potential to convert commercial value chain opportunities to actual new business and income.

Anchored in a platform of strong public-private and inter-agency dialogue, ITC's value chain stakeholder participatory approaches are particularly effective in encouraging engagement in decision-making at all levels, aligning and integrating sector support services, visualization of interdependencies, prioritization of value chain upgrading activities and mobilization of resources for implementation. In the right environment, efficient interactions of this kind lead to better, pragmatic and sustainable solutions. ITC's value chain approaches have proved successful in supporting social-development priorities such as reducing environmental impact footprints, improving uptake of clean technologies, increasing opportunities for higher income for women in trade, and value addition for products from poor communities. ITC's value chain assistance is adapted to suit the needs, circumstances and situation of any particular set of stakeholders and beneficiaries. The focus is on:

1. Trade, Policy and Strategy: Technical assistance partnerships with other agencies, NGO's and finance providers for export and development success – particularly for WTO accession, Least Developed Countries, small island and land-locked states and vulnerable economies;

2. Market access, orientation and entry costs, customer and buyer requirements and commercial success factors for upgrading the enabling environment and trade support institutions;

3. Advice, direct training, mentoring and counselling of groups of enterprises or communities;

4. Coordination of large scale sector trade development programmes, their implementation and resource mobilization.

Sectors of operation include: food and agri-business, manufactured natural products, ethical fashion and cultural industries, services and industrial products.

There are three main ITC Divisions implementing value-chain development interventions:

- Division of Market Development (DMD): assists institutions, associations and enterprises with market analysis, overall long-term market trends, sector value chain, market and value added product development. DMD maintains a number of key market news and statistical services such as ITC's Trade Maps, Market Access Maps (tariff and non-tariff market entry conditions database), compilation, up-dating and transmission of trade and market information, advice on the establishment of trade information services and networks as well as specific sector competitiveness assistance for agriculture, manufacturing and services exports. The Division's Sector Competitiveness Section provides overall guidance on sector development activities.

- Division of Business & Institutional Support (DBIS): Offers a suite of solutions along the whole enterprise value chain delivered through vocational training services, certified expert networks, customized business consulting and market exposure. Areas include the design of export-oriented business plans, business-cycle optimization, marketing and e-business solutions at the levels of the community, quality, standards, packaging, labelling, logistics, financing and trade facilitation solutions, enterprise and small producers, to make them export-ready and strengthen their competitiveness in international markets.

- Division of Country Programmes (DCP): Responsible for the programming and overall coordination of ITC regional and country-specific, multi-disciplinary development projects, which are implemented through other ITC Divisions and external partners. DCP also coordinates ITC's Regional Offices, Export Strategy and Business for Trade Policy Sections.

Most of ITC's sectoral value chain development activities involve the syndication of multiple implementing partners: private sector, government agencies, civil society, international agencies and sector associations, selected with beneficiary partners to provide inputs to respond to specific development gaps. For example:

- In the Pacific, fruit and vegetable producers and food processors attracted significant funds from three major international programmes and also received government budgetary allocations to implement a sector strategy designed by stakeholders and facilitated by ITC. Accompanied market orientation and exchange missions with importing and transit country quarantine facilities, and ITC-led HACCP/ISO value chain quality support to enterprises unblocked import restrictions and opened up new direct sales, almost doubling export levels. SMS-based communications support between value chain actors spread across a very wide geographical area dramatically improved delivery continuity, payments and agriculture extension service effectiveness along value chains – opening up new markets and increasing poor community incomes.

- In value chains of the African commodity sector ITC has been very active in improving quality and supply chain performance, building linkages for direct support to African suppliers from emerging market importing country technical institutions and sector associations for long-term sustainable technical assistance. In collaboration with other agencies' work in developing standards laboratories and training facilities, ITC has succeeded in attracting new buyers and developing trade support organisations to achieve additional new sales contracts valued at several million USD with corresponding increases in employment.

2.6. United Nations Conference on Trade and Development

The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 and has the mission to promote the development-friendly integration of developing countries into the world economy.

UNCTAD's work is based on three pillars:

1. It undertakes research, policy analysis and data collection for the debates of government representatives and experts;

2. It provides technical assistance tailored to the specific requirements of developing countries, with special attention to the needs of the Least Developed Countries and of economies in transition;

3. It functions as a forum for intergovernmental deliberations, supported by discussions with experts and exchanges of experience, aimed at consensus building ("intergovernmental machinery").

VC approach and definition, instruments and/or projects

With regard to its first pillar, VC analysis has figured in several of UNCTAD's flagship reports of recent years, such as the "World Investment Report" (e.g. 2007, Extractive Industries; 2008, Infrastructure; 2009, Agricultural Production) or the "Least Developed Countries Report" (e.g. 2007, LDCs' participation in GVCs). Some other relevant studies have contributed to a better understanding of the phenomenon of VCs and its role for development (e.g. "Integrating Developing Countries' SMEs into Global Value Chains", 2009). UNCTAD's "Information Economy Report 2010: ICTs, Enterprises and Poverty Alleviation", applied a value chain perspective to assess the role of different ICTs for enterprise performance. The role of ICTs, especially broadband connectivity, has also been emphasized as a fundamental factor in explaining the reorganization of the production of many services and goods in global value chains.

In its second pillar, technical assistance, UNCTAD is active e.g. in linking small and medium enterprises to transnational corporations (Business Linkages Programme) and in developing or strengthening value chains of products and services derived from biodiversity (BioTrade Initiative). UNCTAD's Business Linkages Programme is a multi-stakeholder initiative to design and implement the necessary measures, incentives and strategies to improve the performance, productivity and efficiency of local TNC suppliers through training, mentoring, information exchange, quality improvements, innovation and technology transfer. UNCTAD's BioTrade Initiative works with partners in developing countries to promote trade in biodiversity products and services, and focuses on developing and strengthening value chains by, inter alia, enhancing sustainable bio-resources management, promoting product development and value-addition, facilitating access to markets and developing managerial capacities.

Typical roles

UNCTAD assists host countries that make an official request for the development of national-level programmes for the promotion of BioTrade and TNC-SME linkages. National Business Linkages Programmes work with local development agencies, investment promotion agencies and business service providers, foreign affiliates of TNCs, partner ministries and others by setting-up multi-stakeholder platforms and by providing capacity-building and advisory services. UNCTAD also provides policy advice and assists developing countries' governments to build an enabling policy environment for TNC-SME linkages, based on the analysis of international experience and best practices.

Through the implementation of the BioTrade Programme, UNCTAD is contributing to increase the competitiveness of the value chain, facilitate coordination between the different actors, and bring about environmental, social and economic benefits. The biodiversity-based sectors and chains supported include natural ingredients for the food, cosmetics, pharmaceutical and fashion industries; flowers and foliage; handicrafts; and sustainable tourism. Through national and regional partners

UNCTAD support SMEs, producers' associations, cooperatives, government entities, academia, etc., in implementing viable and sustainable BioTrade value chains.

Instruments and projects

Within its intergovernmental machinery, UNCTAD hosts several commissions that deal with aspects related to the development of international value chains (Commission on Investment, Enterprise and Development; Commission on Trade and Development).

UNCTAD's Business Linkages Programmes are flexible in design and content, including backward and forward as well as horizontal linkages. A careful selection of project partners is essential to gaining the confidence and commitment of participating TNCs and SMEs. UNCTAD's BioTrade Initiative has developed the Guidelines for a Methodology to Support Value Chains for BioTrade Products: from the selection of products to the development of sector strategies, which can be adapted to the conditions and priorities of each country. These guidelines describe each step that is taken in supporting the value chains and an on-line course with UNCTAD's TrainforTrade will be conducted in the first semester of 2011. Through this methodology, UNCTAD has been guiding beneficiary countries and partners on selecting and strengthening BioTrade value chains. Finally, it should be mentioned that UNCTAD is the lead agency within the UN Cluster on Trade and Productive Capacities, dedicated to the coordination of trade and development operations at the national and regional levels within the UN system.

Geographical scope

To date, UNCTAD has implemented eight national Business Linkage Programmes in Argentina, Brazil, Dominican Republic, Mozambique, Peru, Tanzania, Uganda and Zambia. Furthermore, EMPRETEC centres, which run UNCTAD's flagship entrepreneurship development programme and are currently operational in 32 countries, are increasingly incorporating business linkages into their services portfolio. BioTrade Programmes and activities are being implemented in Bolivia, Brazil, Colombia, Ecuador, Indonesia, Peru, Uganda, in addition to several regional initiatives in the Amazon (Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname and Venezuela), and Southern Africa (Botswana, Malawi, Namibia, Mozambique, South Africa, Swaziland, Zambia and Zimbabwe).

2.7. Food and Agriculture Organization

With 131 country offices and a staff of around 3,600, the Food and Agriculture Organization of the United Nations (FAO) leads international efforts to defeat hunger. Serving both developed and developing countries, FAO acts as a neutral forum where its 191 member nations meet as equals to negotiate agreements and debate policy. Through its extensive knowledge and information systems and thousands of field projects and programmes, the organization helps developing countries and countries in transition modernize and improve agriculture, forestry and fisheries practices and ensure good nutrition for all. Since its founding in 1945, FAO has focused special attention on developing rural areas, home to 70 per cent of the world's poor and hungry people.

Many if not most FAO divisions implement activities that are directly or indirectly linked to value chain development for goods and services provided in various agricultural sub-sectors. The distinguishing feature of FAO support for value chain development is its specialist technical expertise and capacity to support value chain actors and service providers in efforts to sustainably increase productivity and value addition, strengthen producer-agribusiness linkages, and improve efficiency in the distribution of food and other agricultural products. FAO provides specialist technical support for value chain development in crop, livestock, forestry and fishery sub-sectors, along with advisory support to member countries on enabling policies, institutional strengthening, and essential services. An important priority of FAO in support of value chain development is to help ensure that smaller and medium scale farmers, processors and other agricultural enterprises are able to compete in rapidly modernizing food systems.

VC approach and definition

The value chain approaches used and tools employed by FAO vary depending on the sub-sector, country and FAO division. FAO does not have a single definition of the value chain, although the phrase “farm to fork” and its variants well reflect the FAO perspective on economic development. FAO project staff and officers generally use the term “value chain” loosely, often as a reference to commodity sub-sectors, e.g. the cassava value chain or the edible oils value chain. The commodity reference is, however, only a starting point. In the fieldwork of FAO, value chains are distinguished taking into account factors such as the final market (e.g. local retail, modern retail, regional wholesale, export), the type of product (e.g. fresh, processed, convenience, certified), or the technology used in production or processing (e.g., scale/capacity, complexity, value-added).

While there is diversity in the specific methodological approaches undertaken in different sub-sectors, the common goals of most FAO work on value chains are to find ways to add value to primary products, achieve higher returns, connect producers to markets, and ensure equitable participation of smallholders without unduly degrading the natural resource base. Essentially all FAO value chains work includes support for building strategic and productive alliances among producers, and between producers and other value chain actors – particularly processors. The cornerstone of FAO’s value chain approach, to the extent that one could be said to exist, is the provision of technical support to increase productivity, value addition, and the capacities of producers and small and medium agricultural enterprises to participate in markets beyond local levels. FAO does not focus only on technologies and technical skills, as is too often thought to be the case. FAO value chains work gives strong attention to business and marketing skills, agricultural sector support services, producer and private sector organizations, collaboration and partnering between public and private sectors, and with NGOs, and the socio-economic and sectoral impacts of policies affecting agri-food value chains.

While FAO has eschewed for the most part the development of a general methodological guide on the value chains approach, some methodological guides have been developed to provide guidance to help field projects get started. Some examples include:

- An analytical framework based on value chains approach to study transmission mechanisms in the economy and assess the impacts of policies;
- A methodology linking value chain analysis and risk analysis in the livestock sector;

- For the horticulture sector, a five-point diagnostic approach: political and institutional commitment, secure land and water, ensure product quality while protecting environment, ensure participation of smallholders, secure new markets for fruit and vegetables;
- The Market Analysis and Development (MA&D) framework for assisting people to develop income generating enterprises will conserving forest and tree resources;
- The FAO Business Models Approach for improving the competitiveness of small and medium agro-processing enterprises (SMAEs) and for linking agribusiness buyers with small farmers through mutually beneficial and sustainable procurement relationships.

Typical roles

FAO has wide-ranging expertise covering all aspects of agri-food value chains. FAO technical support and capacity-building correspondingly can and do address any aspect of value chains diagnostics and upgrading needed according to the sub-sector, country circumstances, needs of the value chain actors, and priorities of the client. There is no “typical role” for FAO despite the misperception of many partners and agencies that FAO’s core competency relates to primary production. Leadership on FAO’s value chain work beyond production is largely provided by the Rural Infrastructure and Agro-Industries Division, created in 2004.

In addition to FAO’s well-known role as an advisor on policies, technologies, extension, input supply, processing and marketing aimed at ensuring the adoption of sustainable production practices, some of its roles played in support of value chain development include the following:

1. Sectoral and sub-sectoral specific appraisals and strategy development;
2. Assistance on policy measures linked to developing value chains;
3. Strengthening of national support institutions at central and decentralized levels;
4. Public sector institutional strengthening (e.g. market/farm management extension);
5. Strengthening public-private partnerships and collaboration with NGOs;
6. Services sector development (e.g., commercial inputs supply, warehousing, finance);
7. Development of strategic alliances between value chain actors and service providers;
8. Enhancement of marketing, business and financial management skills at all VC levels;
9. Technologies and practices for post-harvest management (e.g., storage, value addition);

10. Training/technical support on product development, quality and safety, etc.;

11. Technical support for innovative market mechanisms (e.g., warehousing, contracting);

12. Value chain finance (www.ruralfinance.org/rflc-home/en/);

13. Contract farming in value chains (www.fao.org/ag/ags/contract-farming/en/);

14. Assistance related to voluntary standards (e.g. organic, fair trade);

15. Public-private partnerships to increase investment in agribusiness and agro-industries;

16. Development of grain collection centres/hubs, food parks, agricultural sector clusters;

17. Business models for small and medium formal and informal processing enterprises;

18. Risk management (diseases and pests, market-related risks, worker health, etc.).

Instruments and/or projects

FAO provides technical support and contributes to capacity-building. Most recent and on-going field projects of FAO now address interventions at multiple stages of value chains as well as at the level of associated policies, institutions and services. FAO provides this support through the development and technical backstopping of extra-budgetary (donor) trust fund projects, projects funded by the member governments themselves, and smaller technical cooperation projects funded with FAO's own resources. FAO also supports value chains development through emergency recovering programmes and by supporting the development of investment projects by financial institutions such as IFAD, the World Bank and the African Development Bank.

From FAO's numerous field-projects on value chain development, two innovative projects in Tanzania and Kenya, both funded by Germany, can be presented as illustrations of ongoing work. The Tanzania project has been introducing a "food systems development" approach, designed to put in place enabling policies, institutions, services and programmes to support the integration of farmers, food industry companies – including small-scale enterprises – and food markets so there is efficient supply and movement of maize, rice, edible oil and red meat products from high potential areas to deficit areas. The Kenya project aims to strengthen institutional capacity to support small and medium scale agro-enterprises and to strengthen producer-buyer linkages. Through a combination of business appraisals, piloting and capacity building workshops, the project is seeking to mainstream business thinking and institutional capacity to provide support to SMEs, producers and producer-buyer linkages.

Aside from its large and diverse field programme work, FAO contributes to value chain development through normative work and public goods, including subject matter comparative appraisals and development of best practices guidelines and training materials based on lessons learned. A few examples of recent normative guidelines prepared to support value chain development include:

- Guidelines on value chain analysis for policy making;
- Guidelines on crop diversification for improved livelihoods, health and income;
- Guidelines on technical and policy options for strengthening potato value chains;
- Guidelines for assessing distributional impact of standards on livestock markets and programme planning.

Another important instrument used by FAO to support value chain development is to organize multi-stakeholder country level, regional and sub-regional workshops to facilitate dialogue, lessons learning, strategy development and action planning related to specific value chains or aspects of value chain development. FAO is increasingly looking for such opportunities in partnership with local and national organizations in order to reinforce institutional capacity and sustainability.

3. Some critical observations and recommendations concerning the usage of the Value chain approach within the UN system

As has happened in the bilateral donor community, the value chain approach has, during the last couple of years, received close attention within the UN system. The websites of all seven UN agencies that are in the focus of the present paper show between dozens and several hundred "hits", when the term "value chain" is fed into the search engine. First of all, this reflects that value chain development is a very useful tool for private sector promotion, as it makes it easy to analyse barriers to and opportunities for social and economic development in very diverse settings and to assist conceptualizing effective.

Acknowledging the advantages of the approach, it seems important that the agencies improve their **internal knowledge management**. Agencies should have a clear and internally well communicated working definition of the value chain approach, or, if required to cover the array of interventions of the relevant agency, a limited number of *approaches*, each one clearly defined and labelled and distinguished from others by transparent criteria. Secondly, there should be a regularly updated overview of the interventions that follow the value chain approach, so to get an idea about *who* (which division, group etc.) does *what* and *where*. In the short term it might be sensible to conduct an internal stocktaking of activities that follow the value chain approach. This should be done on the basis of one or possibly several working definitions in order to really capture the relevant activities.

Improved knowledge management would then be the basis for an **enhanced external transparency** of the value chain-related work of each agency. In preparation for the interagency workshop, a fairly extensive analysis of the internet presence of the seven agencies was carried out. In fact it was next to impossible to get a clear picture of the value chain-related work of each organization. In some cases, the internet presence had not been updated for quite some time, implying that the information gathered did not really reflect the state of the internal discussions within the agency.

The international scientific discourse on the value chain approach is characterized by a rather high degree of "fuzziness", the interpretations range from a more or less technical description of the steps from the inception of a good to its consumption and the disposal of its residues, to the analysis of the complex interactions among the actors, based on concepts of political economy. This **fuzziness** is also reflected in the way UN agencies adopt the concept. Studying the available papers, very different value chain approaches could be identified. In some cases, the value chain is seen as the internal chain of activities of a firm operating in a specific industry. This definition follows the concept first described and popularized by Michael Porter in his 1985 book, "Competitive Advantage: Creating and Sustaining Superior Performance". Other papers refer to the material flows along the production chain, crossing, however, the boundaries of individual firms. Finally, more complex definitions conceptualize VCs as a specific feature of globalization, stressing the importance of governance and power and looking at the lead firms as important actors within the chains. This definition is derived from a research stream following the book "Commodity Chains and Global Capitalism", edited by Gereffi and Korzeniewicz in 1994.

As the value chain approach can be used in a rather broad manner, it does not come as a surprise that a wide array of different activities is given the value chain label. As is also common in the sphere of bilateral development cooperation, in some cases, VC-related activities sometimes seem to be rather the outcome of "re-labelling" former private sector development interventions. In other cases, activities that could clearly be subsumed under the value chain approach are not labelled accordingly.

For an outside observer (and perhaps not only for her or him) it is not completely clear what the **unique selling position** of the seven analysed agencies might be, in the field of value chain promotion. Simplifying to a certain extent the messages derived from the websites and the documents analysed, it may be said that basically all agencies claim to be highly competent in most, if not all, dimensions of VC promotion, e.g.

- Mapping and analyzing value chains in a holistic, participatory and multi-stakeholder way;
- Developing strategies for VC development, also in participatory and multi-stakeholder ways;
- Training of companies, supporting institutions and advising policy makers.

Additionally, several (emerging) cross-cutting issues are also claimed to be in the core of the interventions of most or all agencies, such as the "pro-poor" character of VC promotion, the efforts to make VCs "greener" and to include gender issues in VC promotion.

These observed shortcomings in knowledge management, transparency and the lack of defined unique selling positions make inter-agency cooperation in VC promotion difficult. Neither do they make it easier to convince other actors, e.g. bilateral donors, that UN agencies might have special advantages to carry out activities of VC promotion. Such advantages might be the specific know-how on the location where the intervention is implemented, know-how of instruments, of sectors and target groups (see the following Textbox).

Textbox: A LIST to identify your organisation's strength

A LIST of four distinct factors (Location, Instruments, Sector and Target groups) may help to guide the further process of identifying specific strengths – the comparative advantages of agencies:

Location: An agency might have a comparative advantage with regard to specific knowledge of a world region, a country or a local region in a country. Expertise about regional, national and local politics, about macroeconomic developments, about processes of regional integration and about (business) culture is for instance important to make a first assessment about the socio-economic development potential of value chain promotion in general. Knowing the local context is also important when designing value chain development interventions, as this allows ex ante account to be taken of political economy factors, which might be drivers or obstacles for economic development in general and value chain development in particular.

Instruments: Value chain development is done through many different instruments. Following Humphrey and Navas-Alemán (2010) the instruments can for example be grouped according to the four different objectives of donor interventions: strengthening the weakest link, improving flows of knowledge and resources, improving specific links between firms, and creating new or alternative links in the chain. Instruments range from building networks to technical training. The competence to act as a broker when promoting network building is, however, obviously different from the rather technical expertise that is needed e.g. to improve the quality of business development services for firms in developing countries. Agencies have experience with regard to the strengths and weaknesses of instruments from previous activities which need to be harnessed for future projects. For example, ILO's guide "Value Chain Development for Decent Work" (Herr and Muzira 2009) discusses various instruments to promote decent work (e.g. implementing International Labour Standards along the value chain) and UNIDO's "Value Chain Diagnostics: Building blocks for a holistic and rapid analytical tool" (Hartwich and Kormawa 2009) explains in general different concepts and dimensions of value chain analysis. From value chain analysis to specific instruments for pursuing the four objectives, UN agencies should explore how far they have expertise with instruments that are employed in value chain development and how far they can draw on each other's expertise. In addition to that, it is also increasingly important to have know-how about instruments to evaluate the impact of vale chain development interventions (see DCED 2010).

Sectors: Expertise about specific sectors and markets (prices, standards, trends, market players etc.) can be a comparative advantage for an agency as well. Sectoral expertise within agencies is necessary e.g. to approach lead firms. Being able to demonstrate awareness of latest trends etc. in a sector is crucial, as otherwise a lead firm of a value chain in that sector might be unwilling even to engage in an initial dialogue about possible cooperation. For example, FAO obviously has specialized knowledge on agriculture; other agencies may not be that specialized but do of course also have sectoral expertise. Interestingly, UNIDO (2009a) has recently published a working paper on agro-value chain analysis. While it cannot be advised per se that each agency should concentrate on a specific sector, coordination will be especially important if agencies are working in the same sector. Again, being aware of each others' sectoral expertise and using this expertise pragmatically when being approached by partner countries or donors will be key to being able to respond quickly and competently to requests.

Target groups: While some instruments may serve the same purpose they will be implemented differently according to stakeholders' needs and capacity. For example, network building among rural farmers may aim at exchange of information and finding ways to improve collective efficiency. Likewise a workshop with representatives of multinational corporations can be an act of network building to exchange information etc. However, rural farmers in a developing country and representatives of multinational corporations are obviously very different target groups, which require different workshop formats, different approaches to engage them into dialogue and different incentives to create ownership for the process of value chain development.

These reflections lead to the following recommendations:

- Improved knowledge management within each of the UN Agencies should go hand in hand with the efforts for inter-agency cooperation. Based on clear definitions what each agency understands as value chain approach, a stocktaking of relevant activities could be an important further step.

- A common (basic) understanding of VC approach(es) could ease interagency cooperation and external communication. It might also make sense to develop a typology of value chain approaches, defining different interventions for VCs with different characteristics (e.g. domestic VCs linking smallholders to urban markets, global value chains in internationally competitive sectors etc.).

- UN-Agencies should make clearer their ”unique selling position“ in VC development instead of claiming to “touch all bases”.

- Combining core competencies can allow ”One-UN“ and other joint programmes to offer attractive service packages for VC-related work.

- Interagency cooperation aimed at enhancing the efficiency of UN value chain development interventions must capitalize on the comparative advantage of each involved agency.

- Enlarging the cake is a more promising option than competing for the largest slice: The international donor community might be willing to transfer activities to multilateral agencies, once their competitive advantages are made clear.

Actively promoting specific intervention lines as the core VC activity of each of the agencies would ease coordination within the UN system. At the same time, it would become easier to communicate to third parties (e.g. bilateral donors) what specific advantages can result from delegating VC interventions to one of the agencies or a coordinated group of them. Defining a core competence would not necessarily imply completely restricting activities to that competence, or to one specific step in the chain. But it would make clearer what kinds of challenge each agency can contribute to in the field of VC development.

Interagency cooperation aimed at enhancing the efficiency of UN value chain development interventions must capitalise on the comparative advantage of each agency involved. The UN CEB Cluster for Trade and Productive Capacity, a mechanism for coordinating the agencies’ trade and productive capacity related activities, could be used as a forum to facilitate cooperation. Division of labour can lead to collective efficiency or collective failure. Transparency and mutual trust when acknowledging respective strengths and recognising own weaknesses are the key to avoiding the latter. It makes sense to identify and focus on the respective strengths of agencies to stimulate positive thinking. With regard to weaknesses it is, however, necessary to identify those areas where agencies simply have no comparative advantage and/or no resources (funds, human resources, networks) to improve in these areas.

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Annex I

United Nations Capital Development Fund (UNCDF)

The United Nations Capital Development Fund was established in 1966 through resolution 1521(XV) of 15 December 1960.

"The purpose of the Capital Development Fund was to assist developing countries in the development of their economies by supplementing existing sources of capital assistance by means of grants and loans, particularly long-term loans made free of interest or at low interest rates. Such assistance shall be directed towards the achievements of the accelerated and self-sustained growth of the economies of those countries and shall be oriented towards the diversification of their economies, with due regard to the need for industrial development as a basis for economic and social progress."

Currently, UNCDF offers a unique combination of investment capital, capacity building and technical advisory services to promote microfinance and local development in the Least Developed Countries (LDCs).

VC approach and definition

UNCDF contributes to value chain development through its Local Economic Development Programmes (LEDP) that focus on activating the role of local governments in LED promotion.

UNCDF's LEDPs empower local governments to become effective enablers of and contributors to economic growth in their territories. In addition, they introduce the Economic Development Fund (EDF) which supplements LG resources for LED related interventions and strengthens local financial service providers with the goal of increasing their reach and ensuring their responsiveness to the financing needs of local economies.

LEDPs give support to local governments to introduce an integrating platform which enables the consolidation and coordination of a range of LED-relevant interventions taking place within a defined territory. Such a platform is proving instrumental for coordinating and augmenting efforts to strengthen value chains and to promote growth in clusters and sectors that are crucial for their sustainable development.

While many actors are intervening to address the constraints on economic growth in LDCs, there has been no systematic effort to articulate the role that local government should play in LED promotion and to equip them with the necessary mandate, tools, capacities and resources to play that role. By embarking on this challenge, UNCDF – building on its long track record supporting the institutional development of local governments – is introducing an effective model that can be replicated in other regions or countries as a catalyst to sustainable growth.

Instruments and/or projects

An LEDP supports the development of value chains indirectly through a set of actions that take place at target localities.

The Local Economy Assessment tool which is introduced through an LEDP for use by a local government and other economic development actors enables local stakeholders to gain a nuanced understanding of a local economy, its sectors, clusters and value chains and the set of constraints that inhibit their growth. This assessment is supplemented by an LED Forum also introduced by the LEDP to allow for sustainable communication between local government and other economic development promotion actors on the one hand and the private sector on the other. Information generated through the assessment and as a result of communication through the Forum will inform the process of formulation of an LED Strategy for the target locality. An LED Strategy will contain an integrated set of interventions that address the growth need of sectors, clusters and value chains active in a locality.

An LEDP then provides support to the target local government to coordinate the implementation of the range of interventions that are captured in an LED Strategy. The LEDP will also develop the capacity and support the target LG to implement the interventions within the Strategy that fall within its mandate, which would usually include economic infrastructure, the strengthening of support sectors such communication, transport, financial and business development services and the streamlining of business regulations. The Economic Development Fund (EDF) which is introduced through an LEDP offers seed financing to enable a local government to undertake such interventions either independently or in partnership with other private or public sector entities.

An LEDP initiates a national level process aimed at enhancing the national context for LED promotion. This process is informed through LED promotion efforts that take place through an LEDP at the local level and as a result of the actions outlined in the two points above. This national level process is designed to address macro policy and regulatory bottlenecks that undermine local level potential for economic growth (including the potential of sectors, clusters and value chains).

Geographical scope

UNCDF is operational in the Least Developed Countries through active programmes in over 36 countries that focus on local (economic) development and the development of inclusive financial sectors. UNCDF is piloting a set of LED Programmes in a set of LDCs in Africa and Asia as well as in some Arab states. During the pilot phase of an LEDP, geographic coverage is usually limited to a few localities. Expanded coverage usually takes place at the conclusion of the pilot at which point an LEDP is rolled out to a larger geographic area or nationwide with governmental support and the backing of deeper-pocket development partners.

Current interagency cooperation in VCD and future potential

The LEDP approach recognizes that local governments play a critical yet limited role in the promotion of local economic development and that a multitude of other actors contribute a diverse and complementary range of crucial inputs towards this objective. The programme also recognizes that the private sector is the primary driver of economic growth and that it requires the support of all of these actors to be able to effectively perform this role.

The programme will, therefore, work closely with a variety of international and national LED promotion actors that specialize in delivering a range of inputs that an LEDP would not be in position to address. Initial efforts are yielding preliminary agreements with UN Agencies including UNDP and ILO while further discussions have been initiated with UNCTAD, UNIDO, WFP which offer a range of highly relevant and complementary technical inputs. Such partnerships will make available a wide range of economic inputs that are outside UNCDF's mandate but will contribute greatly to the success of LED in target areas e.g. interventions in private sector development, value chain development, employment and job creation, trade promotion and market development and access, Micro, Small, and Medium Enterprise (MSME) and entrepreneurship support, among others.

Annex II

United Nations Economic Commission for Europe

Established in 1947, the United Nations Economic Commission for Europe (UNECE) is one of five regional commissions of the United Nations. It brings together 56 countries from the European Union, non-EU Western and Eastern Europe, South-East Europe and the Commonwealth of Independent States (CIS), and North America, with the aim of promoting pan-European economic integration.

Within the United Nations system, the UNECE serves as the focal point for trade facilitation recommendations and electronic business standards. UNECE standards are developed through a specialised working party, the United Nations Centre for Trade Facilitation and electronic Business (UN/CEFACT).

The UNECE Secretariat also provides substantive capacity-building and advisory services on simplification and standardization of value chains. In the area of capacity-building UNECE collaborates closely with the other UN Regional commissions and with technical implementation agencies.

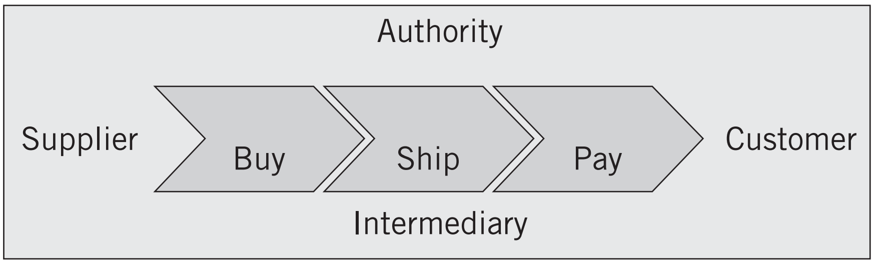
VC approach and definition

UN/CEFACT develops global standards and recommendations for trade facilitation and electronic business. The objective of the working party is to improve the ability of business, trade and administrative organizations, from developed, developing and transition economies, to exchange products and relevant services effectively. Its principal focus is on facilitating national and international transactions, through the simplification and harmonization of processes, procedures and information flows in international value chains.

This is achieved by:

- Analysing and understanding the key elements of international processes, procedures and transactions with the objective of identifying and working to eliminate constraints;
- Developing methods to facilitate processes, procedures and transactions, including through the relevant use of information technologies;
- Promoting the use of these methods, and associated best practices, through channels such as government, industry and service associations;
- Securing coherence in the development of Standards and Recommendations by co-operating with other interested parties, including international, intergovernmental and non-governmental organizations.

Box 1: The UN/CEFACT international value chain model



UN/CEFACT applies a holistic view to value chain development and improvement, including all parties that participate in international value chains.

UN/CEFACT Recommendation No. 18 illustrates a simplified view of the international supply chain in the Buy-Ship-Pay model (see figure below). This model not only describes "a series of fragmented activities" that are carried out throughout the international trade transaction, it also defines different types of actors that are associated with them. Key actors in the international supply chain are authorities, intermediaries, suppliers, and customers.

UN/CEFACT has developed an integrated set of standards for the simplification of the business processes in the value chain and the exchange of information between the different actors of the value chain. The standards are published on the UNECE website at http://live.unece.org/cefact/index.html .

Instruments and/or projects

The UNECE Secretariat provides capacity-building and advisory services for the development, simplification and automation of value chains. Jointly, UNECE and UNESCAP have set up the United Nations Network of Experts for paperless Trade (UNNExT, http://www.unescap.org/unnext/) to support Governments in developing and transition economies.

UNNExT provides a peer-to-peer networking and knowledge-sharing platform for policymakers, practitioners and technical experts in developing countries and transition economies to support the implementation of trade facilitation instruments and standards. The UNNExT Secretariat is jointly provided by UNECE and UNESCAP. A Committee of Advisors from academia and participating Government administrations supports the Secretariat in identifying priorities for trade facilitation instruments and standards.

UNECE and UNESCAP have developed significant training packages to support UNNExT capacity-building activities. The training follows a modular, step-by-step approach. It addresses the relevant standards and techniques for simplification of the processes in the value chain and the exchange of information between participants in the value chain. These packages include:

- The UNNExT Guide for Business Process Analysis: This provides techniques and tools to analyse and simplify business processes in the international value chain. It is extensively used in developing countries and transition economies to analyse business and regulatory processes, to identify costs and to improve the access of traders and SMEs to global value chains;

- Guide for the simplification and harmonization of trade documents in value chains;

- Single Window Implementation Framework (SWIF): the concept of Single Windows for export and import clearance is intended to facilitate value chains, in particular in developing countries. SWIF provides Governments with an integrated approach to preparing and implementing a Single Window project;

- Guide on Data Harmonization for electronic information exchange in international value chains: This Guide introduces the latest standards, technologies and tools for simplification and automation of cross-border data exchange, in particular UN/CEFACT standards on simplified trade documents and the recently published WCO Data Model.

In operating UNNExT and delivering capacity-building events, UNECE and UNESCAP collaborate with technical implementing agencies such as ASEAN, ADB, USAID, GIZ and the World Bank. The five UN Regional Commissions, through a joint project, are currently preparing to provide UNNExT capacity-building components to all regions.

Geographical scope

UNCE trade facilitation standards are developed with a global scope in mind. Experts from all UN member countries can participate in the work and the management of UN/CEFACT.

In the area of capacity-building, UNECE has a specific regional focus in supporting its member States, and particularly those with transition economies, to integrate into the regional and global value chains. UNECE collaborates with other agencies to provide capacity building on e-Business and trade facilitation for value chains on a global level.

Annex III

Stylised value-chain mapping highlighting horizontal and vertical elements