



The Relevance of Agricultural Value Chain Promotion for Poverty Reduction – A brief Look at Practitioners' Perspectives

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Where did the Value Chain Approach come from?



Many African economies are agriculture-based;
strong correlation between ag. growth and overall ec. growth;
Agriculture = productive sector with social implications = motor for ec. development;
→ rural development is key for poverty reduction
→ private sector promotion key for rural economic development
→ Value Chain Approach provides practical framework for all that.



The International Debate:

Aid Debate (Big Push or not?) → How to achieve poverty reduction?

Pro-Poor Growth Debate (high growth, but distribution?) → How to target aid?

Ag VC Promotion in Development Cooperation



- Last eight years, popular with bi-and multilateral Donors worldwide
- Holistic approach, easy conceptualisation



- Implementation with strong private sector participation -
Integration of farmers in markets plus forward and backward linked rural economic actors
→ good for rural economic development.
→ but good for poverty reduction?

Poverty Impacts of Ag VC Promotion: Sentiments *



* aired e.g. during conferences and network meetings of practitioners

“Value Chain Development approaches

- *... pretend to be pro-poor, but there is hardly any proven poverty impact assessment;*
- *... by their nature of commercial-basis and private sector orientation have a tendency to be biased towards the non-poor.*
- *Thus, ... are mainly growth oriented, not poverty oriented.”*

Poverty Reduction Hypotheses for VC Promotion

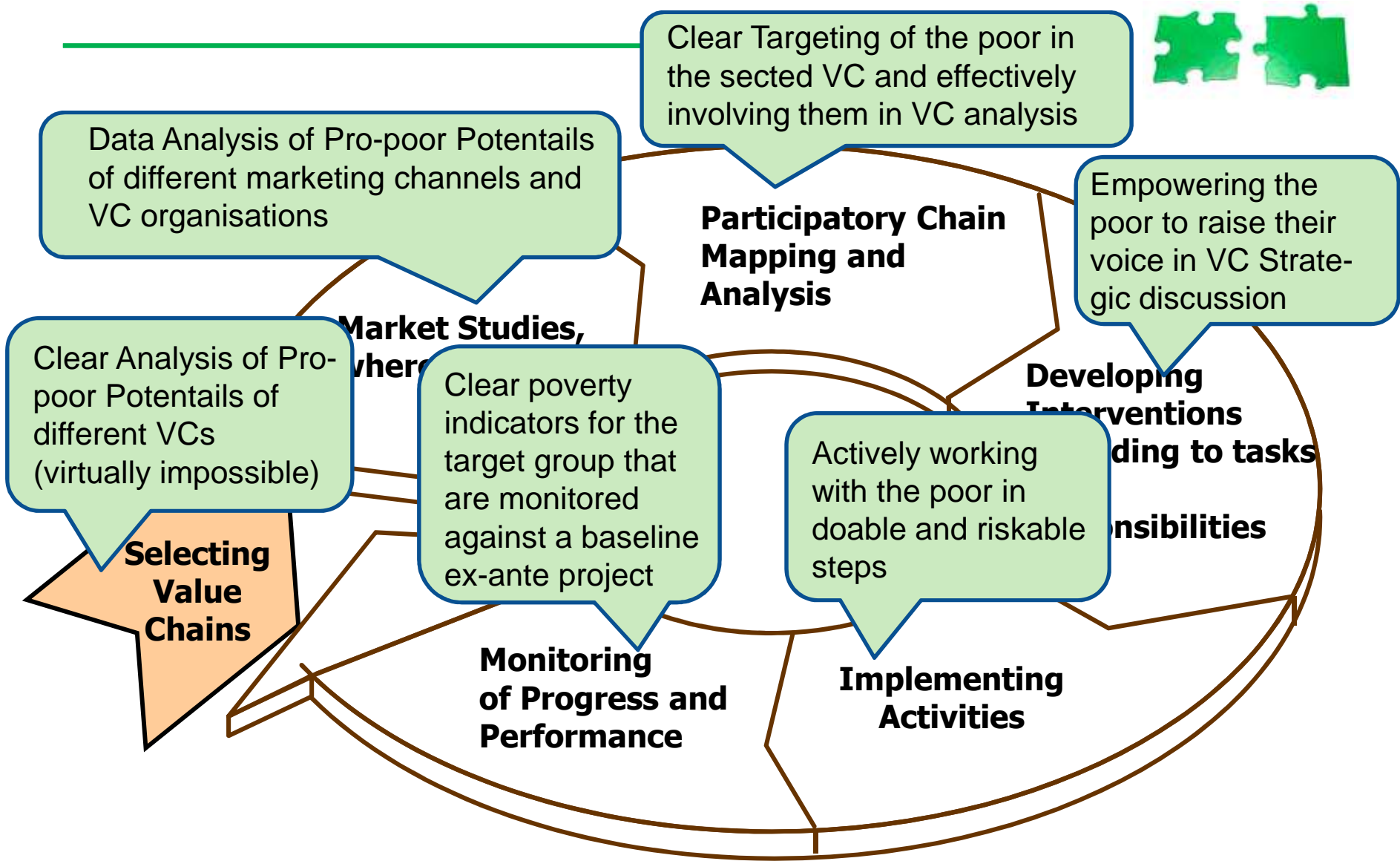


1. Integrating the poor into new VCs
2. Broadening existing VCs
3. Deepening existing VCs
4. Upgrading the poor along VCs

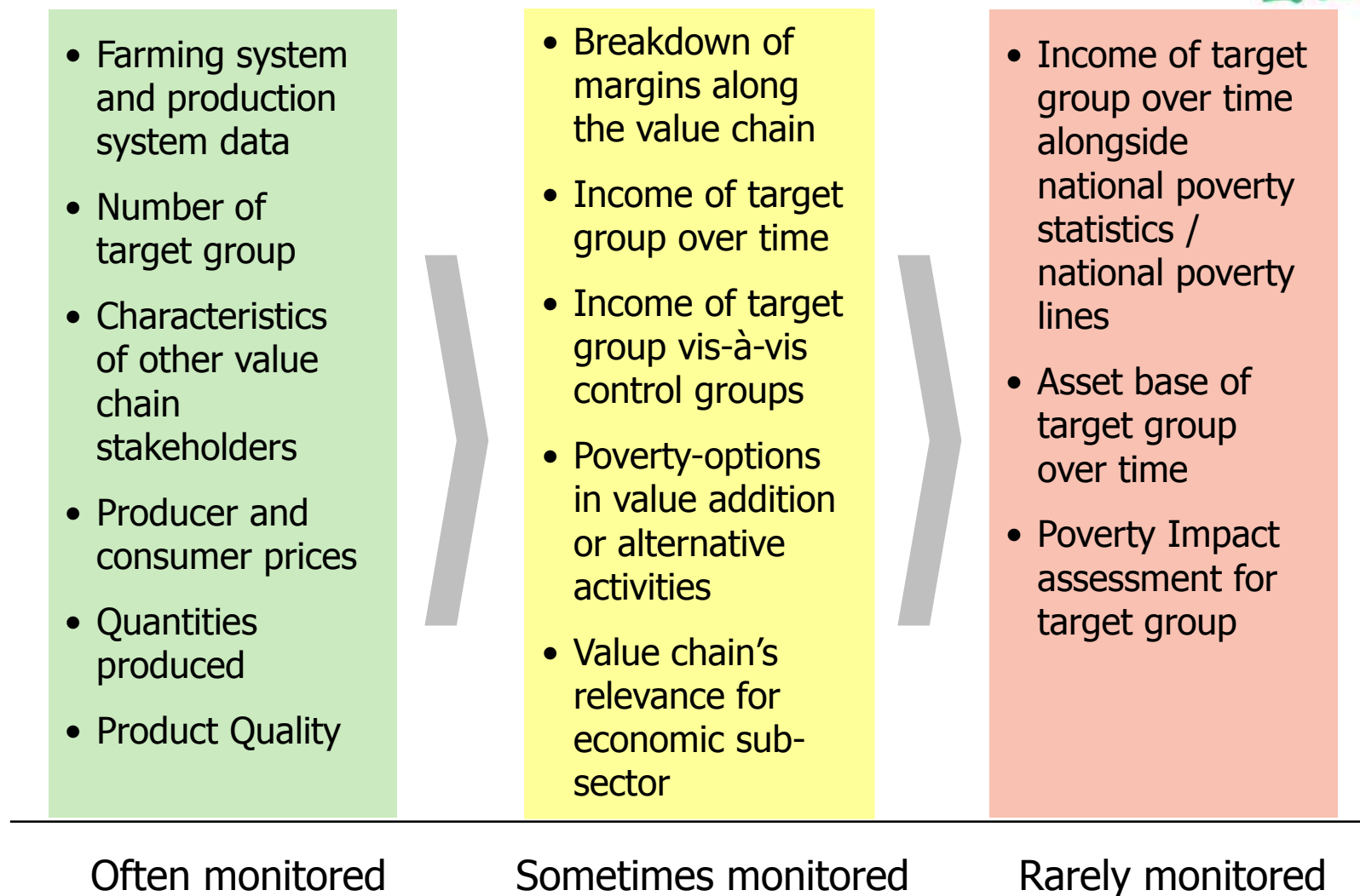
but:

All these assumptions are based on dynamic economic developments over time and require a lot of quantitative data and respective skills to analyse it!

Theoretic Needs for Poverty Assessments in VC Projects



Reality Check: What is typically monitored in VC Projects?



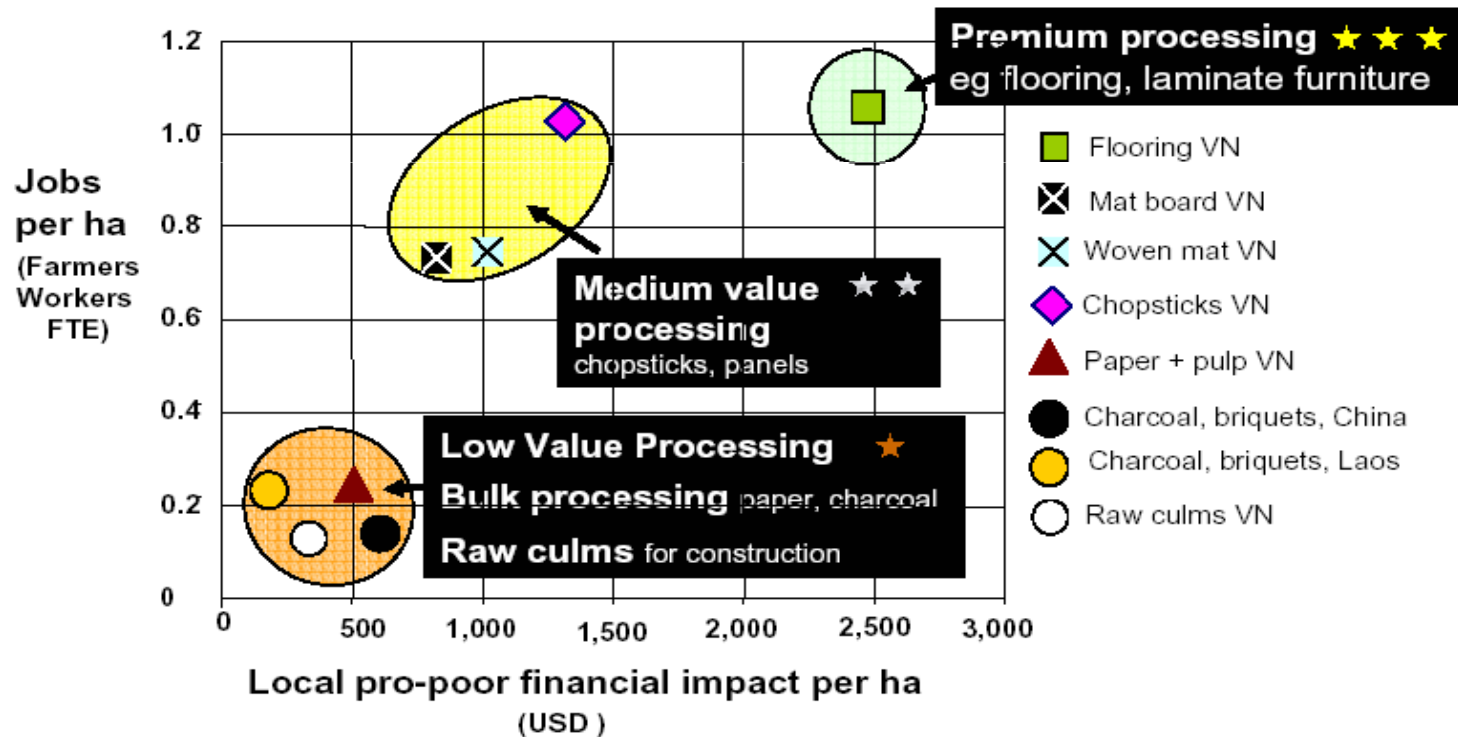
Example for Assessing Poverty Impacts



for var. Bamboo products and VCs in Laos, Vietnam and Cambodia



Impact Potential (1) Jobs, Financial Impact by Product



General Problem of Attribution and Scope of Influence



NOW, CAN YOU TELL ME
WHICH 100 BRICKS I DONATED?



Certain Dilemmas for Pro-Poor VC Promotion



1. public domain ⇔ private sector promotion
2. demand-driven approach ⇔ producer-oriented objectives
3. liberal market model ⇔ harsh reality of market failures
4. lead firms as points of leverage ⇔ concentration and market power
5. highly attractive niche markets ⇔ need for outreach and up-scaling
6. promoting formal market segments ⇔ the poor tend to operate informally
7. many tools at project level ⇔ but often crucial policy and macro-economic failures
8. inherent positive selection of target group ⇔ poverty reduction
9. quick wins ⇔ sustainable development (at dynamic times)
10. “big push expectations” ⇔ the poor need small, riskable steps to upgrade

Which role could Donors play in VC Promotion?



- Advocacy for development opportunities
- Transparent rules and reliable transactions
- Trust building among chain actors
- Monitoring the pro-poorness
- Honest and interest broker for the poorest chain actors
- Facilitator between public and private domain (Public-Private-Partnerships)

The Relevance for Poverty Reduction? (I)



... is not totally clear.

Value Chain Promotion as a market-driven economic development approach is by nature not explicitly pro-poor (but pro-growth).

Economically successful projects do often not reach many poor – but:

Value Chain Promotion can generate significant development impacts and indirect poverty impacts e.g. via rural employment creation.

The Relevance for Poverty Reduction? (II)



... is not accurately proven.

Poverty Reduction Impacts are rarely assessed due to:

- Complexity and dynamics of real world projects and policies
- Lack of reliable and consistent data
- Lack of knowledge about result-based monitoring and impact assessment by implementers (and therefore lack of data)
- Skills gap between sector specialists and macroeconomic planners (“missing middle” problem)

The Relevance for Poverty Reduction? (III)



... will become clearer:

- A lot is being done in terms of impact monitoring and reporting results on project level ...
- ... yet problems remain with the general practicability to assess impacts and with finding adequate methodologies.

„ It's better to be approximately right than precisely wrong“

Thank you

Annex I: VC Practitioner Networks



- see e.g. IDS Sussex' Global Value Chain Initiative (<http://www.globalvaluechains.org>),
- Agro-food Chains and Networks for Development of University of Wageningen (http://library.wur.nl/frontis/agro-food_chains/index.html),
- Donor Committee for Enterprise Development (http://www.value-chains.org/dyn/valuechains/bdssearch.home?p_lang=en),
- Re-governing Markets Initiative (<http://www.regoverningmarkets.org>),
- GTZ sector networks (<http://www.gtz.de/en/weltweit/afrika/fachliche-netzwerke/9850.htm>),
- ValueLinks Trainer and Export Pool (<http://value-links.wetpaint.com/>)
- DfiD sponsored Making Markets Work for the Poor Initiative (MMW4P) (<http://www.mmw4p.org>)
- Donor Committee on Enterprise Development (<http://www.value-chains.org>)
- or Swiss Community of Practice (<http://www.sdc-valuechains.ch>)
– just to name a few of existing internet fora and platforms.

Annex II: VC Practitioner Network Meetings



- Meetings were held in “Berlin June 2007: Value Chains for broad-based Development” (<http://value-links.de>),
- Cape town April 2007, “Making Markets work for the Poor in Eastern and Southern Africa” (<http://www.commark.org/pages/Default.asp?SectionID=180>),
Gerzensee, January 2007,
- "Making Value Chains Work for the Poor: Current thinking and future collaboration" (see [http://www.deza.admin.ch/en/Home/Themes/Employment_and_the_economy/Employment_Income/E I Conference and Workshop 2008/SED Workshop 2007?!](http://www.deza.admin.ch/en/Home/Themes/Employment_and_the_economy/Employment_Income/E_I_Conference_and_Workshop_2008/SED_Workshop_2007?!))),
- The Eight Annual Seminar on Developing Value Chains and Service Markets, Chiang Mai, September 2007 (http://www.mmw4p.org/dyn/mmw4p/bdssearch.details?p_phase_id=587&p_lang=en&p_phase_type_id=6)
- or “Donor Committee Conference: African and global lessons for more effective donor practices”, Accra, 5-7 November 2007 (http://www.businessenvironment.org/dyn/be/besearch.details?p_phase_id=142&p_phase_type_id=6).



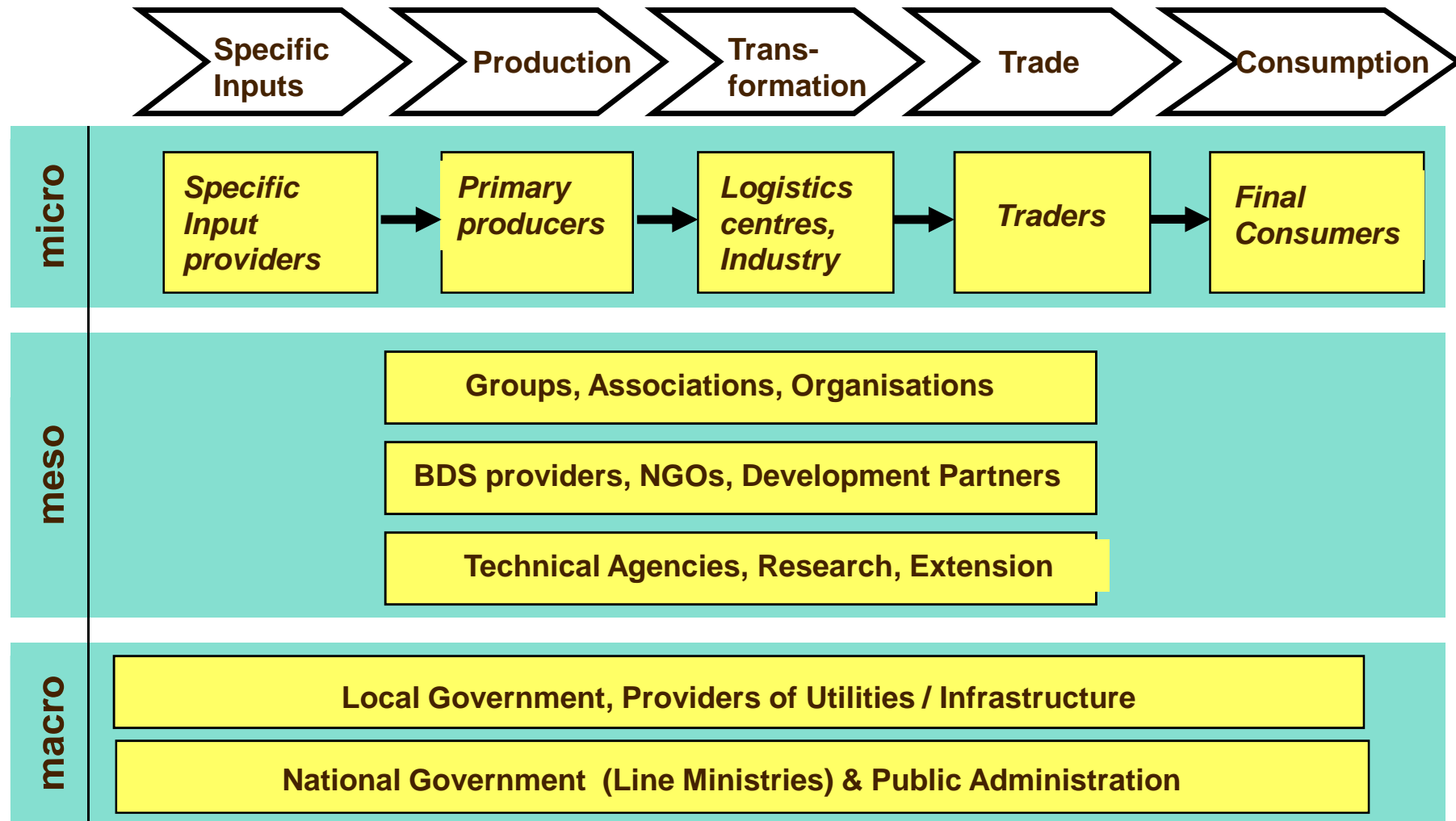
BACK UP SLIDES

What is a Value Chain?



- the **sequence of productive processes** from the provision of specific inputs for a particular product to primary production, transformation, marketing and up to final consumption
- an **institutional arrangement** linking and coordinating producers, processors, traders and distributors of a particular product
- an **economic model** which combines the selection of a product and the appropriate technology with a form of organizing the actors in order to access the market

How does a Value Chain look like?



Producing for & developing which VCs and Markets?



Global:

- Standards:
Coordination and control of activities along the chain
- Complexity of final product increases costs of production, transformation and governance
- Competitive advantages
- Global demand & risks

Regional:

- Urbanisation
- Competition
- Demand structures, growth & production potential of neighbouring countries
- potential for regional specialisation
Diversification
- Regional Trade Organisations

Domestic:

- Urbanisation
- Income growth
- Changes in Consumption preferences
- Higher value preferences
- Still relatively high elasticity of income with regard to demand for food

What data is typically available?

