

Value chains conference, Berlin 07

Working group:

**Direct Interventions to strengthen
the ability of the poor to
participate in the economy**

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„Direct interventions“ ?

- ❑ Everything done in VCs by *non-private* actors, that is partner governments or development agencies.
- ❑ In support of the poor

- ❑ (Meta debate on “arms length” trade vs. value chains left out, albeit relevant for the topic)

Broad areas – a recall

1. Collective search for **new** commodity chains, e.g. high-value agricultural products (HVA) including health & lifestyle or organic food products, (here:) making f.i. use of poor farmers' specific knowledge of certain varieties,
2. **Broadening** existing chains (here:) to include poorer / more poor producers – the **outreach** problem identified as one of the lead questions of this conference
3. **Deepening** or re-arranging existing chains (here:) to increase poor producers' share in the overall income generated.
4. Helping producers to **move diagonally** to higher valued chains (well known from East Asian electronics and textile firms, but not generally addressing the poor

Interventions relating to 2. (broadening) or to 3. (deepening) include e.g.:

- Action to eliminate intermediaries (traders), in order to augment poor peoples' share (in fact sth. done by private actors in genuine GVCs as well),
 - Action to help small-scale farmers to respect international technical standards, in particular SPS, or action to help them getting a quality premium,
 - Action in favour of improving labour and environmental standards.
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Two problems cutting across 1.-4.

1. A poverty / social efficiency problem
2. A policy problem

- Our hypothesis: problem 1. partly due to problem 2.
- What do we mean ?

The poverty (outreach) problem

- ❑ Bias towards the non-poor and commercially active winners – inherently “positive” selection
- ❑ Controversial selection, often ignoring the informal sector
- ❑ Little progress on poverty impact monitoring (data & benchmarks):
how many poor actually lifted above national poverty line ?
- ❑ Intuitively: not enough outreach, not pro-poor enough – and what is pro-poor VC promotion

(non-)poor bias, ctd.

- ❑ VCD implementers feel collectively that they (by tendency) rather target winners than losers in rural economies if it's going well;
- ❑ or they target the poor but keep the feeling that the business will not be sustainable.
- ❑ Under pressure for success stories in private sector promotion, niche markets and highly specified markets with high margins were entered (Shea butter, Aloe, herbal teas, essential oils, spices – conventional and organic).
- ❑ Yet, training farmers, traders and processors on niche products has a poor cost-benefit ratio

Link to the **policy** problem

Public support for GVCs ranges from

- (a) General interventions to create the proverbial conducive environment,
- (b) proper structural policies in favour of selected sectors / sub-sectors,
- (c) myriads of meso/micro interventions to strengthen e.g. small-scale producers

Tendency to reduce *macro* support for VC to

(a) = triple S neutral policy ® (size, sector, space)

Policy problem, ctd.

- ❑ And to leave out **(b)** altogether that is proper agricultural or industrial policy (anathema !)
- ❑ Idem for targeted trade policy
- ❑ Likely consequence: 3 policy levels delinked, and – thus – outreach limited
- ❑ Despite pervasive market failures
- ❑ However, NEW industrial policy (Rodrik, Lall, Chang and others) far more advanced than VC promoters often think

Some empirics to underpin hyp.

- ❑ Chilean salmon VC: a showcase for interplay of public policy and private sector at all levels
- ❑ And the timely withdrawal of public sector when mission was accomplished
- ❑ The MFA/AGOA effect on the African apparel chain: one of the broadest chains in Africa, almost entirely created by **policy** (contrary to failed EU – GSP/EBA)
- ❑ If you still need more examples, look at **China** – the ultimate proof of industrial policy

One conclusion

- Thus ***crossing*** New Industrial/ agricultural policy approaches with VC support might be *one* solution
- And an answer to conference lead questions: outreach, (no) race to bottom, capacity....