

Introduction

Development-driven interventions in value chains have adopted a strong orientation towards environmental and social standards and linking smallholder farmers to business. The related activities focus, for example, on enabling compliance with standards, assembling women in units supplying a firm, or training farmers in good agricultural practices. This brief is motivated by the observation that the inner workings and governance of value chains and their articulation with endogenous development processes are not automatically favourable for smallholder farmers, workers or small and medium enterprises. What processes shape impacts?

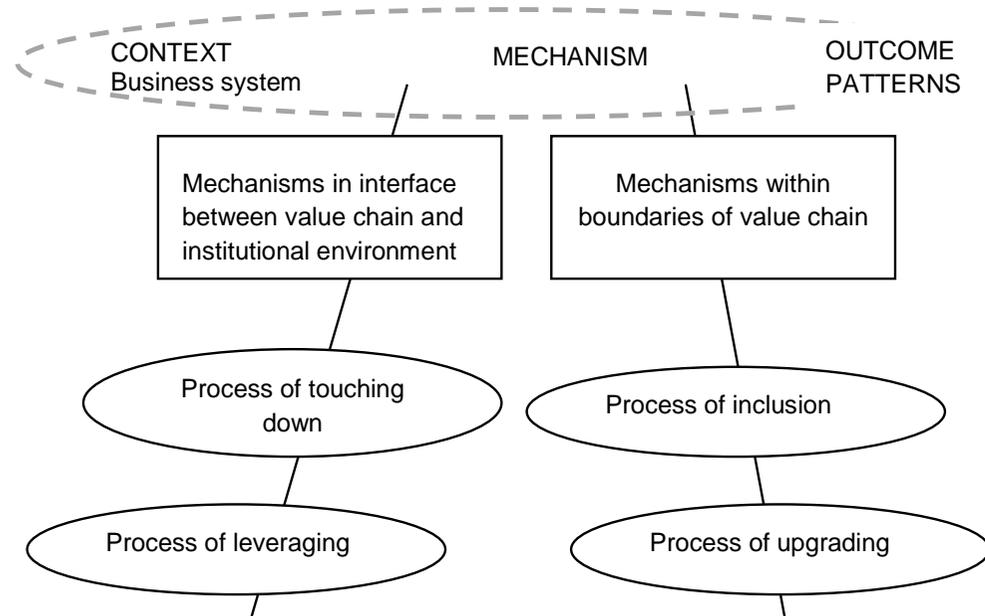
Process focus

Central to this brief are four processes: touching down, inclusion, leveraging and upgrading. They compose a framework for gaining insight into why certain intervention strategies may or may not work for development. It makes development outcomes dependent on the context in which value chains touch ground. Although value chains are often global in nature, their effects relate strongly to national and regional contexts, e.g. forms of association or roles of public institutes. Projects focusing only on processes within the boundaries and logics of value chains risk to create islands of success.

A logical sequence for understanding development impacts of value chain interventions is to start from the process of 'touching down'. This concerns the interaction between a (new) value chain and the business system in which it operates or intends to operate. This articulation sets conditions for 'leveraging' interventions and resources in order to affect larger numbers of actors. Within the chain, terms of 'inclusion' of local producers and workers, as well as prospects for 'upgrading' shape development outcomes. A one-sided focus on standards and compliance with them, captured under upgrading, is one piece of the puzzle, and from a developmental perspective maybe not be the most significant one despite its intentions.

Touching down

The logics and institutions embedded in a (new) value chain touch down in those found in the local business system in which it operates or intends to operate. This introduces a territorial dimension. The prevailing business system sets the basic parameters within which a (new) value chain operates and sets the room for manoeuvre which chain-specific actors have vis-à-vis non-chain actors, in particular the (local) state and existing forms of association. Touching-down links a value chain to (i) the nature of doing business, (ii) the role of the state in the economy and (iii) state-business relationships and combinations of public, collective self-regulation and voluntary regulation. This suggests a



Contact

Sietze.vellema@wur.nl
t +31 317 484754

i <http://www.dgis.wur.nl>

Development impacts of value chain interventions – a knowledge agenda

Sietze Vellema and Bert Helmsing
April 2011

VC4PD Brief 12

VC4PD

focus on the role of the state in both achieving levels of coordination and regulating the playing field.

Inclusion

In unpacking the processes of inclusion one question is how vertical dimensions of value chains combine with the economic, political and cultural dimensions found in a specific area. Development impacts of inclusion result from embedded processes, in which different interests and conventions come together, and different actors mobilise resources and represent interests. Inclusion is characterised by negotiations, social settlements and various forms of politicisation. Hence, inclusion is not a one-time effect, but can better be conceptualised as an evolving and incremental process in which actors have some level of freedom to choose to be in or out. There is choice: a localised chain may be more favourable to fair economic transactions than ivy-league global chains, or vice-versa.

Leveraging

In value chains, inclusion relates to the need to create economies of scale or a critical mass in the number of producers for interventions to leverage limited resources. Due to the scale and cross-level nature of operations in value chains no single actor has full control over the terms of inclusion or a complete interest in all aspects of inclusion. Aspects of inclusion are decided upon at levels

spatially or institutionally remote from smallholder producers and workers at the periphery of value chains.

For leveraging development interventions, it may be wise to widen the value chain perspective and create space for action that allows partnerships of chain and non-chain actors to combine capacities and resources. Under what conditions such partnership initiatives can become 'embedded by design' and combine value chain governance with policies to achieve co-regulation?

Upgrading

The process of upgrading is linked to functionalities within a value chain. It

has received much attention in practice, policy and research, ranging from upgrading small producers by setting standards, certification and training to reconfiguring chains through social enterprise interventions and bottom-up vertical integration. There is little systematic oversight on the ways in which these intervention strategies lead to development outcomes. Upgrading is linked to finding new ways to coordinate performance across different levels and to install new ordering mechanisms. The three complementary processes elaborated above make impacts of value chain interventions context-dependent.

Development Policy Review Network

This brief summarises the paper "Value chains governance and inclusive endogenous development: Towards a knowledge agenda" (DPRN Phase II Report no. 26), which synthesises a 2-year, multi-stakeholder process coordinated by the Institute of Social Studies and Wageningen UR and supported by DPRN (Development Policy and Review Network); see <http://value-chains.global-connections.nl/>. The discussion also builds on results of the research program Value Chains for Pro-poor Development (VC4PD), implemented in collaboration with Agriterra and AgriProfocus, under the Partnership Programme between the Netherlands' Ministry of Foreign Affairs and Wageningen UR. And it was inspired by insights generated during a workshop organised in Nairobi (November 29-30 2010) supported by HIVOS, the Netherlands ministries of Foreign Affairs and of Economic Affairs, Agriculture & Innovation, and the Partnerships Resource Centre, and facilitated by Wageningen UR and ETC East Africa. The views expressed in this brief are the authors' only. Research is reported in Helmsing, A.H.J. (Bert) and Sietze Vellema (eds) (2011) *Value Chains, Inclusion and Endogenous Development Contrasting Theories and Realities*. Routledge.

