



Rural Development

Value chains

The challenge

Alongside the environmental and social dimensions, sustainable development also includes the dimension of economic growth. Unless there are substantial improvements in economic efficiency and competitiveness, the goal of eradicating poverty will remain elusive.

Globalisation has led to significant changes in the way production is organised. As a result of the international division of labour, producers now compete globally. IT services, for instance, can be offered at locations far removed from service customers. The organisation of value chains (VCs) has thus become a key factor in enhancing competitiveness. Increasing product volumes, the need to comply with stringent quality standards, fixed delivery dates and traceability requirements are significant challenges, not just for small businesses and farms, but also for governments and industry associations.

Potential for domestic growth often remains untapped. A low level of training and widespread distrust prevents businesses from cooperating efficiently along value chains. Other factors affecting the functioning of markets are weak infrastructure and a lack of market transparency and enforcement of legal regulations. Environmental sustainability and the social impact of economic development are further challenges. Energy consumption and the environmental costs of production are often too high. At the same time, many poor people remain excluded or are unable to find adequately paid jobs.

Our approach

The promotion of value chains is a fundamental concept of development policy. Based on thorough VC analyses, we support upgrading strategies for particular industries, together with all relevant actors. VC development mobilises private and public investment funds. The main objective is to ensure that economic growth generates broad-based and sustainable social benefits and contributes to poverty allevi-

ation. It should also lead to more efficient use of energy, water and other resources.

We base our VC strategy on growth opportunities, focusing our attention on the potential for alleviating poverty, creating employment and improving resource efficiency. Women are often at the heart of our work in view of their important role in VC development. The implementation of VC programmes is guided by the following principles:

- Value chains are selected for promotion in accordance with economic, ecological and social criteria. These criteria are frequently embedded in national agricultural or industrial development policies.
- We collaborate with private companies, service providers and public institutions as our main partners in value chain promotion.
- We provide advice and facilitate technical and organisational innovations, which may include initial financial support. While we cooperate closely with companies buying produce from partner countries and with local businesses, we do not directly engage in the VC business operations.
- With a view to achieving long-term structural change, we work to enhance the expertise and capacity of our private and public partners.

Our services

GIZ uses the *ValueLinks* methodology and instruments to shape its interventions and services. *ValueLinks* is structured according to the project cycle and provides the foundation for our services. These include:

- *Project design:* We develop and plan VC programmes and projects on behalf of governments, foundations, industry organisations and private companies.
- *Selection of value chains:* We develop options for market development on the basis of criteria agreed with partners.



- *Value chain analyses:* *ValueLinks* provides the methodological know-how for value chain mapping and for economic, social and environmental assessments of VCs, including gender analysis.
- *Advice on sustainable development strategies:* We provide advice on the formulation of appropriate VC development strategies.
- *Facilitation of change processes:* We accompany and advise on the implementation of VC development measures agreed with partners.
- *Implementation of technical, business and institutional solutions:* Important fields of upgrading include improving business models, promoting business linkages and contracting, engaging in horizontal cooperation, providing technical and financial services, establishing an appropriate regulatory framework, and agreeing quality and sustainability standards.
- *Impact monitoring and data management:* Services include the collection and management of information.

GIZ can draw on extensive expertise and a wide range of tools in each of these fields as well as training materials and formats that can be flexibly applied and adapted to the prevailing conditions in a specific value chain.

VC development is often combined with territorial approaches to economic development, such as rural development or local and regional economic development. The VC approach can also be used as a component in programmes on natural resource management or private sector development, including in post-conflict situations.

The benefits

You benefit from the many years of experience that GIZ has gained in the course of numerous VC projects. We have developed solutions for numerous major industries and

their value chains, and have particularly extensive experience in the agricultural and food sector (coffee, cocoa, cashew, cotton, fisheries, aquaculture, wood, etc.), in manufacturing sectors (such as the textile and garment industry, construction and handicrafts) and in the service sector (for instance tourism and information and communication technology). We maintain industry contacts in a wide range of sectors. Collaborating companies benefit from our contacts and local knowledge, and gain access to extensive know-how on value chain development as well as our facilitation and consulting expertise.

Partner governments and public donors are thus strengthened in their efforts to develop an economy that is both competitive and sustainable. This leads to positive impacts on incomes and employment and an improved environmental and climate-compatibility of the economy.

An example from the field

In the framework of its Agricultural Sector Investment Programme, the Government of Ghana aims to achieve greater agricultural growth and to improve the income of farmers and stabilise the food supply.

In three regions of Ghana, the market-oriented agriculture programme supports farmers and other VC actors in the pineapple, citrus, mango and maize value chains. GIZ supports the development and dissemination of business models that offer farmers and small businesses a higher income. The target group also includes wage workers in processing and marketing firms. The programme is also strengthening the capacity of public administration institutions and service providers to enable them to play a more active and effective role in promoting value chains.

Contact

Dr. Andreas Springer-Heinze
E andreas.springer-heinze@giz.de
T +49 61 96 79-1441
I www.giz.de

Ralf Barthelmes
E ralf.barthelmes@giz.de
T +49 228-24934-171
I www.giz.de

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Dag-Hammarskjöld-Weg 1-5
65760 Eschborn, Germany
T +49 61 96 79-0
F +49 61 96 79-11 15
E info@giz.de
I www.giz.de