

DPRN PHASE II – REPORT NO. 9

Value chain governance Progress report 2008–2009



Colophon

This document reports on the progress of the process entitled 'Value chains, social inclusion and local economic development', which is being carried out within the framework of the Development Policy Review Network (DPRN) and organised by the Institute of Social Studies (ISS), Wageningen University and Research Centre (WUR), Woord & Daad, and Hivos. With a view to stimulating informed debate and discussion of issues related to the formulation and implementation of (Dutch) development policies, DPRN creates opportunities to promote an open exchange and dialogue between scientists, policymakers, development practitioners and the business sector in the Netherlands. For more information see www.DPRN.nl and www.global-connections.nl.

Contents

	Page
Introduction	5
Background to the theme	6
Activities	6
Results	7
Contribution to the DPRN objectives	8
Reflection	11
The way forward (or plans for the second year (July 2009 – June 2010))	11
Appendix 1 – List of participants (in meetings and online discussions)	13
Appendix 2 – List of researchers who participated in the writeshop in September 2009	15
Appendix 1 – Information on website: subscribers and hits	16
Appendix 4 – Papers and other output	18

Progress report on DPRN process 'Value chains, social inclusion and local economic development'

Compiled by:	Bert Helmsing and Sietze Vellema
Period:	June 2008 – May 2009
Responsible organisations:	Institute of Social Studies (ISS/EUR), Wageningen University (WUR),
Co-applicants:	Woord & Daad, HIVOS, ICCO, Concept Fruits BV, LNV

Introduction

This document reports on the first year of the DPRN process entitled 'Value chains, social inclusion and local economic development', as organised by the Institute of Social Studies (ISS/EUR), Wageningen University (WUR), Woord & Daad, HIVOS, ICCO, Concept Fruits BV and the Ministry of Agriculture, Nature and Food Quality (LNV).

International trade is increasingly undertaken through organised global value chains in which quality competition plays a central role. Quality competition is achieved by means of increasingly complex standards and the introduction of new technologies at the level of individual links in the chain, as well as at the level of their interaction (transaction and logistics) and therefore for the chain as a whole. These requirements and their associated costs make networked markets an increasingly predominant form of exchange. Chain governance consequently denotes the manner in which the various actors in the chain, namely firms, governments and NGOs, are coordinated. It shapes how standards are defined, implemented and enforced. This proposal concerns the degree of inclusion of governance mechanisms within a value chain configuration.

In line with the DPRN mission, the objectives of this process are:

- To develop an integrative and interdisciplinary analytical framework presenting a selection of hypotheses for inclusive development and share this with selected firms, NGOs, network organisations and government agencies.
- To draw up an overview of policy measures implemented by firms, NGOs and government agencies which targets change and strategies at meso level and to present this in the form of a synthesis paper which defines issues of greater coherence in policies and complementarities and synergies between chain level initiatives of different actors.
- To organise an agenda setting event with the various stakeholders resulting in concrete proposals for follow-up activities that create links between policy, firms, NGOs, network organisations, governments, and research organisations in a joint effort to achieve

greater policy coherence, design development-oriented intervention strategies and use theory-based monitoring and evaluation methodologies of chain level interventions.

These objectives are to be achieved via a number of different activities spread over a two-year period.

Background to the theme

While there is a growing recognition that value chain governance plays a crucial role in issues of inclusion and endogenous economic growth, there is as yet little understanding of the relationships between chain governance and development interventions by multiple actors. International, national, or local actors do not always share information and coordinate their actions in practice. Worse still, few – if any – actors have a full understanding of the entire chain and its dynamics and very often they are only aware of their immediate links in complex multi-local networks and do not share the same frameworks of understanding with other actors participating in the chain and their interventions. It is the view of the organisers that considerable progress can be made in achieving inclusion and endogenous economic growth when diverse analytical and policy frameworks are compared, discussed and integrated with a view to achieving greater overall coherence, complementarities and synergies in the actions of public, private and non-profit actors.

Activities

The project effectively started after the 2008 summer holidays. During the period under review the following activities were undertaken:

- *Meetings* were held between the two organisers and the co-applicants (HIVOS, ICCO, W&D, Concept Fruits BV) to determine the course of action and define priorities;
- *Participants* from government, business, NGOs and research communities were *mobilised* to participate in the project activities;
- To that end a *Dinner meeting* was organised on 25 November 2008. The main purpose of that meeting was to explain the project and to exchange ideas on project research and policy priorities (see DPRN Phase II Report No. 4 for a report of this meeting);
- As part of the preparations an *inventory* was made of recent and current publications by interested researchers from all Dutch universities;
- A *website* was developed with the assistance of DPRN which contains the inventory of publications as well as the process documents pertaining to this project;
- Last but not least a *writeshop* has been prepared which is intended to ensure that the first main objective of the project is achieved.

Results

- Analysis of the current state of value chain interventions.

The current state of value chain interventions is summarised in a PowerPoint presentation, which is available from the project website:

<http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/documents/Vellema-DPRN-Value%20Chain%20Interventions.pdf>

- Inventory of the research on value chains by researchers in the Netherlands

The main findings of the inventory of research on value chains by Dutch researchers is summarised in the PowerPoint presentation of the dinner meeting and can be found on the project website:

<http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/documents/Dinner-presentation.pdf>

- Results from interviews with co-applicants as well as from our own preparatory work mentioned above culminated in a PowerPoint presentation given at the dinner meeting of November 25. This can be found on the project website:

<http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/documents/Dinner-presentation.pdf>

- During the dinner meeting, two co-organisers Dave Boselie, Concept Fruit BV and Dicky Nieuwenhuizen (Woord & Daad) provided personal explanations as to their motivation for taking part in this venture. More details can be found via the following two links:

<http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/documents/Column%20Dave%20Boselie%20-%20Concept%20Fruit%20BV.PPT>

<http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/documents/Column%20Dicky%20Nieuwenhuizen%20-%20Woord%20en%20Daad.pdf>

- The dinner meeting report contains the results of that event. It was drawn up in January 2009 and can be found on the project website via the following link:

<http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/file/DPRN%20Report%20value%20chain%20governance%20dinner%20meeting%20report.pdf>

- The preparations for the Researcher's writeshop started in February/ March with an invitation to researchers which can be found via the following link:

[http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/documents/DPRN-invitation%20to%20researchers%20\(030309\).pdf](http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/documents/DPRN-invitation%20to%20researchers%20(030309).pdf)

The overview of the abstracts currently in preparation for the Writeshop of 24/25 September can be found via the following link:

<http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/documents/Overview%20of%20Papers%20in%20Progress%20180609.doc>

- The project website contains various folders and has a public and a password protected section. The public section contains the process documents of the project. The password protected section contains more than 65 publications by researchers affiliated to the project. The password protection is necessary to avoid copyright complications given that the library contains articles published in international journals.

Contribution to the DPRN objectives

Stimulating informed debate

The following issues were singled out by those who attended the dinner meeting as being central to the policy debate:

- An evidence-based exchange

The main reason for joining in with this project is to induce a shared commitment to economic development processes in the South that give local producers a greater stake in the value chain and to contribute to poverty reduction. We want to analyse these processes and examine the expected and unexpected, desirable and undesirable, development outcomes and assess how these relate to intended and unintended actor specific interventions. The exchanges we seek are evidence based, that is to say grounded in actual experiences and practices, as formulated by government officials, related by NGOs, told by companies and documented by researchers.

- Strengths and limitations of the value chain approach

The principal advantage of the value chain approach as an heuristic device is that it allows us to get to grips with the complexities of economic development as it focuses on the network that bridges the entire chain of actors involved in the production of a particular commodity or service which is placed within a context of service providers and actors that regulate the transactions between actors. This broader conception of development facilitates dialogues between these different actors.

Consequently, while the value chain approach enables us to undertake a more integrated approach that bridges various actors in the chain, there are still a number of questions related to focus. For example, should the focus be on poverty reduction or on small producers? Should we examine particular chains or rather geographical production systems and their multiple value chain connections (international, national and local)? Should we study the value chain and its immediate related networks and environment or should we focus on the many questions that lie beyond the immediate value chain relations, such as HIV-AIDS and the effect that has on workers productivity, Human Resource Development and

skilled labour supply, gender & democratisation issues which affect inclusion/exclusion in chains, etc?

- Chains and organisational models

A specific concern raised by participants has to do with the organisation of small producers. Associative or collective action among small producers may be a pre-condition for their participation in particular chains so as to compensate for diseconomies of scale in production or transaction/logistics. The key question is how small producers (can be) organise(d) themselves. What are the advantages and disadvantages of different organisational models for achieving chain upgrading?

- Context and types of chain governance

The value chain approach focuses on the actors. The behaviour of actors in these relationships is influenced by formal and informal rules. Behaviour in chains may not affect business behaviour but may be shaped by opportunism, moral hazard, rent seeking, clientelism, etc. Sometimes a distinction is made between pro-developmental institutional change processes that structure transactions to reduce costs and promote trade and investment, and anti-developmental processes that structure transactions in order to create rents. This underlines the importance of deepening our understanding of governance types and of assessing the implications of different modes of coordinating and directing practices and behaviour in value chains, particularly when seeking greater inclusiveness.

Institutional arrangements and inclusion/exclusion

A key issue as regards facilitating the inclusion of small producers in global and export oriented value chains concerns institutional arrangements associated with access to chains. We refer here to generic (management (traceability), public health and environmental) and specific (quality) standards. These arrangements normally imply considerable upfront investment costs as well as higher transaction costs. Reducing these barriers of entry would be an important goal in the context of preventing the exclusion of other producers.

This relates to issues concerning the distribution of costs and benefits between (potential) actors in the chain and over time and the effectiveness of alternative models (e.g. company specific versus sector level arrangements, public/private/NGO partnerships, para-fiscal funds, etc). It would be a useful to examine workable models in various contexts and chains.

Upgrading local producers in value chains and endogenous local development

Upgrading local producers means improving their capabilities for participating in particular chains. This may improve their participation in various ways: in transformation processes, in the kinds of products or components they produce, and in the functions they perform in relation to these. In agriculture logistics, chains play an additional important role. The basic assumption is that increasing the quality of their participation results in higher value appropriation.

Export value chains offer opportunities to escape from low-level local demand. However, an exclusive focus on export chains and the functional role of local producers in these may not

lead to a full utilisation of the productive resources of a particular area. This may affect the food security, vulnerability and resilience of local producers and calls, on the one hand, for a greater focus on i) local markets and chains, ii) how to 'endogenise' external opportunities, that is to say how to increase local control over the participation in the external chains and over its local supporting environment and iii) how to leverage local participation in one chain so as to promote the development of another local economic activity.

Involvement of relevant partners

The objective of the process is to bring together academics, policymakers and development practitioners, including the private sector, in order to initiate discussions and set the agenda on value chain governance for the years to come.

The dinner meeting held on November 25 stimulated debate among business leaders, government officials, NGO practitioners and researchers.

Appendix 1 lists the dinner meeting participants and their respective backgrounds. This overview shows that the conference was attended by 45 people, 44 percent of whom were researchers, 11 percent policymakers and embassy staff, 27 percent practitioners and 18 percent representatives from the business sector.

Appendix 3 contains information on the use of the website.

Relevance for policy and practice

The project is in its first stage. An agenda for action has been set up in consultation with development partners from government, business, NGO practitioners and researchers. This dialogue has increased the relevance for policy and practice of the project's agenda for action. The organisers synthesised this in the 'Letter to Participants' which identified 4 themes which researchers could subsequently work on, taking into account the perspectives and concerns of development partners in relation to Value Chain governance. Relevance to policy and practice is to be examined in more detail in the Bilateral dialogues with government, business and NGOs which are planned to take place during the project's second stage.

Enhancing cooperation and synergy

The dinner meeting of November 25, which was attended by officials and practitioners, has produced a common agenda of issues which provides a basis for researchers in multi-disciplinary teams to elaborate frameworks within which the issues raised can be tackled.

The process which led to the writeshop was broken down into three steps. The first step involved a discussion of the agenda of issues as produced by the dinner meeting. During the second meeting a number of multi-disciplinary teams were formed to tackle these issues and develop a writeplan. This allowed more time to be dedicated to generating synergies between different disciplinary frameworks of understanding and to facilitating more and better cooperation among researchers.

Reflection

The writeshop was scheduled to take place during the period under review. However, the creation of multi-disciplinary frameworks of understanding turned out to be a much more time-consuming process than originally expected.

Moreover, since research time invested by organisers and researchers could not be compensated by the project, the process took much longer than expected. The writeshop is now scheduled for 24 and 25 September.

The bilateral policy dialogues with the three development partners also had to be postponed as a result.

The project budget approved by DPRN was 26% lower than the amount originally requested. The approved budget was allocated on the basis of the same output. The experiences from the first stage tell us that this is not realistic.

The way forward (or plans for the second year (July 2009 – June 2010))

The following activities are going to take place:

- This *writeshop* is now scheduled for 24 and 25 September.

Details on the planned output of the writeshop can be found on the project website via the following link:

<http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/documents/Overview%20of%20Papers%20in%20Progress%20180609.doc>

- The *Bilateral Dialogues* provide the basis for a policy review, which will identify the merits and discuss the efficacy of meso policy measures implemented by firms, NGOs and governments, and works towards producing a framework which connects macro and micro issues. The basic idea behind organising bilateral dialogues is that value chains and programmes intended to achieve inclusion and local development are undertaken by different types of actors, namely firms, NGOs and governments. Each actor works on the basis of his/her own premises and often with an implicit intervention theory. The purpose of the dialogues between researchers and these three types of actors is to systematise the intervention policies of these actors with respect to the basic matrix developed in the previous event and to formulate explicit interventions theories and their associated conditions for success. The challenge for the participating researchers is to identify and integrate complementarities and contradictions and to ask the involved organisations to review the preliminary insights from academia and to compare this with their research work.

In view of the budget constraint, the organisers have taken the logistical/organisational decision to organise a single event for all three bilateral dialogues. However, the format of the bilateral dialogues will remain the same. The event is scheduled for the first quarter of 2010. The precise date is yet to be decided in close consultation with the development partners concerned.

– This third and last *agenda setting event* would be one of synthesis, with its main purpose being to develop coherence, complementarities and synergies between the interventions of different actors in value chains in order to achieve greater inclusion and endogenous local development. This event a) responds to the call by Minister Koenders to pay more attention to the distributional aspects of economic growth and sustainable markets; b) seeks to increase overall effectiveness of development assistance in market-led development, and c) identifies modes of experimentation and develops theory-grounded tools for monitoring and evaluation.

This event is scheduled for the second quarter of 2010.

Appendix 1 – List of participants (in meetings and online discussions)

List of participants at the dinner meeting on 25 November 2008

	First name	Last name	Organisation	Position	Organisation type
	Hans-				
1	Willem	van der Waal	AgroFair	Manager Sourcing	Business
2	Roland	Knaap	Cargill	Planner soya	Business
3	Dave	Boselie	Concept Fruit BV	Director	Business
4	Damaris	Matthijsen	GET Holding NV	Chief Green Officer	Business
5	Hein	Kroft	H.J. Heinz BV	Manager External Affairs Manager Sustainable	Business
6	Marieke	Leegwater	Product Board MVO Rabobank / Sustainable	Production	Business
7	Guus	Rozendaal	Trade	Senior Project Manager	Business
8	Alberic	Pater	Triodos Facet	Consultant	Business
9	Jan Arie	Nugteren	EVD	Project Officer	Government
10	Monique	Calon	Ministry of Foreign Affairs	Senior Policy Advisor	Government
11	Tjalling	Dijkstra	Ministry of Foreign Affairs	Senior Trade Policy Advisor Deputy Head / Senior Policy	Government
12	Frits	van der Wal	Ministry of Foreign Affairs	Advisor	Government
13	Leonoor	van Munster	Ministry of Foreign Affairs	Senior Policy Officer PO Uganda / Policy	Government
14	Jose	Ruijter	Cordaid	coordinator chains	NGO
15	Nicoliene	Oudwater van	ETC Foundation	Advisor	NGO
16	Johanna	Nieuwenhuizen	GET Foundation	Director	NGO
17	Carol	Gribnau	Hivos	Programme Manager	NGO
18	Catherine	v.d. Wees	Hivos	Programme Officer PO India / Learning	NGO
19	Rob	Witte	ICCO IDH – Dutch Sustainable	Facilitator	NGO
20	Joost	Oorthuizen van	Trade Initiative	Director	NGO
21	Frank	Schoubroeck	ILEIA	Policy Analyst	NGO
22	Gine	Zwart	Oxfam Novib	Policy Advisor Consultant Enterprise	NGO
23	John	Lindhout	Woord en Daad	Development	NGO
24	Dicky	Nieuwenhuis	Woord en Daad	Manager Advice & Research Head of Advisory	NGO
25	Nellie	van der Pasch	Agriterra Erasmus University – School	Department	Other
26	Wouter	Jacobs	of Economics Erasmus University – School	Assistant Professor	Researcher
27	Jeroen	van Wijk	of Management	Lecturer	Researcher
28	Peter	Knorringa	Institute of Social Studies	Associate Professor	Researcher
29	Gloria Karin	Otieno	Institute of Social Studies	PhD student	Researcher
30	Astrid	Siegmann	Institute of Social Studies	Labour and Gender Ec.	Researcher

31	Diederik	de Boer	Maastricht School of Management	Director Centre for Sustainable Dev. Advisor Sustainable Economic Dev.	Researcher
32	Anna	Laven	Royal Tropical Institute	Economic Dev.	Researcher
33	Roldan	Muradian	Tilburg University – IVO	Senior Research Fellow	Researcher
34	Iris	Monnereau	University of Amsterdam	PhD student	Researcher
35	Arnoud	Pool	University of Groningen	PhD student	Researcher
36	Joy	Clancy	University of Twente – TSD/CSTM	UHD	Researcher
37	Leo	van Grunsven	Utrecht University	Associate Professor	Researcher
38	Verena	Bitzer	Utrecht University – Copernicus Institute	PhD student	Researcher
39	Greetje	Schouten	Utrecht University – Copernicus Institute	PhD student	Researcher
40	Guus	van Westen	Utrecht University – IDS	Assistant Professor	Researcher
41	Jan	Hoekstra	Van Hall Larenstein University	Lecturer Value Chain Development	Researcher
42	Otto	Hospes	WageningenUR	Associate Professor	Researcher
43	André	De Jager	WageningenUR – LEI	Head of Unit Markets and Networks	Researcher
44	Gerdien	Meijerink	WageningenUR – LEI	Scientific Researcher	Researcher
45	Giel	Ton	WageningenUR – LEI	Researcher	Researcher

Organisers

46	Sietze	Vellema	WageningenUR – LEI	Sr. Researcher Chains, Innovation & Dev. Professor Local / Regional	Researcher
47	Bert	Helmsing	Institute of Social Studies	Development	Researcher
48	Roel	Snelder	Agri-ProFocus	Process Facilitator	NGO

Appendix 2 – List of researchers who participated in the writeshop in September 2009

Sietze	Vellema	WUR-LEI
Bert	Helmsing	ISS
Niels	Beerepoot	UVA
Jos	Bijman	WUR
Verena	Bitzer	Utrecht University – Copernicus Institute
Joy	Clancy	Utwente
Andre	de Jager	WUR
Otto	Hospes	WageningenUR
Wouter	Jacobs	FEW/EUR
Peter	Knorringa	ISS
Anna	Laven	UVA/KIT
Victor	van der Linden	MSM
Clemens	Lutz	RUG
Gerdien	Meijerink	WageningenUR – LEI
Iris	Monnereau	UVA
Roldan	Muradian	UVT
Lee	Pegler	ISS
Arnout	Pool	RUG
Greetje	Schouten	Utrecht University – Copernicus Institute
Karin	Siegmann	ISS
Aad	van Tilburg	WageningenUR
Giel	Ton	WageningenUR – LEI
Leo	van Grunsven	UU
Guus	van Westen	Utrecht University – IDS
Jeroen	Van Wijk	RSM EUR
External Reviewers		
Ruerd	Ruben	CIDIN/RU
Rob Plus to international reviewers	van Tulder to be identified	RSM EUR

Appendix 3 – Information on website: subscribers and hits

Statistics for <http://value-chains.global-connections.nl/> by 13-08-2009¹

<i>Description</i>	<i>Value</i>
Number of subscribers ²	81 (74 organisers, moderators, administrators excluded)
Number of publications on the website ²	65
Sub 1. Number of hits between 12-08-2008 and 12-08-2009 ³	Website: 765 of which 362 absolute unique (new) Page: 4196 of which 2,569 unique

Some additional relevant details on the website visits are shown below³

1. Top ten countries with most visits

<i>Country</i>	<i>Visits</i>
Netherlands	609
Brazil	19
United Kingdom	16
United States	12
Belgium	9
Canada	8
India	7
China	5
Italy	4
Germany	4

2. Top ten pages with most views

¹ [13-08-2009, Development Policy Review Network](#). Merijn de Bakker, [E-mail: merijn.debakker@gmail.com](mailto:merijn.debakker@gmail.com)

² Derived from Drupal content management system.

³ Derived from Google Analytics.

<i>Page URL</i>	<i>Views total / unique</i>
http://value-chains.global-connections.nl/	1084/589
http://value-chains.global-connections.nl/library	324/128
http://value-chains.global-connections.nl/content/events	233/169
http://value-chains.global-connections.nl/content/process-co-applicants	197/144
http://value-chains.global-connections.nl/content/value-chain-governance-and-endogenous-growth	197/149
http://value-chains.global-connections.nl/node	150/100
http://value-chains.global-connections.nl/blog	132/45
http://value-chains.global-connections.nl/content/report-dinner-meeting-november-25th	130/66
http://value-chains.global-connections.nl/documents	127/44
http://value-chains.global-connections.nl/content/dinner-meeting-november-25th	112/85

Appendix 4 – Papers and other output

- Current state of value chain interventions:

<http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/documents/Vellema-DPRN-Value%20Chain%20Interventions.pdf>

- Reports on interviews with co-applicants and inventory of the research on value chains by researchers in the Netherlands as well as information from our own preparatory work, as depicted in a PowerPoint presentation given at the dinner meeting on 25 November. This can be found on the project website:

<http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/documents/Dinner-presentation.pdf>

- Personal columns given during the dinner meeting by two co-applicants, Dave Boselie, Concept Fruit BV and Dicky Nieuwenhuizen (W&D). These can be found via the following two links:

<http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/documents/Column%20Dave%20Boselie%20-%20Concept%20Fruit%20BV.PPT>

<http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/documents/Column%20Dicky%20Nieuwenhuizen%20-%20Woord%20en%20Daad.pdf>

- The report of the dinner meeting contains the event results. It was drawn up in January 2009 and can be found at the project website via the following link:

<http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/documents/Letter%20to%20participants.pdf>

- The preparations for the researchers' writeshop started in February/March with an invitation to researchers which can be found via the following link:

[http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/documents/DPRN-invitation%20to%20researchers%20\(030309\).pdf](http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/documents/DPRN-invitation%20to%20researchers%20(030309).pdf)

The overview of the abstracts currently in preparation for the Writeshop of 24/25 September can be found under the following link:

<http://value-chains.global-connections.nl/sites/value-chains.global-connections.nl/files/documents/Overview%20of%20Papers%20in%20Progress%20180609.doc>

