



Services for Rural Development

Sector Project "Knowledge Systems in Rural Areas"



Reader: Agribusiness And Value Chains

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1. Definition and Rationale

The GTZ defines agribusiness as "all market and private business-oriented entities involved in the production, storage, distribution, and processing of agro-based products; in the supply of production inputs; and in the provision of services, e.g. extension or research." Generally this represents a more holistic approach to market-oriented entities in the agro-food system. In the context of German science agribusiness is defined as "the mode of managing agricultural enterprises at the production, input and output distribution and processing levels", whereas in the Anglophone context agribusiness is defined as the business of agriculture.

Agribusiness support is considered to be a part of a country's economic development concept and is targeted towards the creation of jobs and income in mainly rural areas. In line with a common business concept, the guiding principle is the market orientation of all support activities. Agribusiness is a component of rural development and forms part of a strategy to improve regional economic development and ensure a safe food supply. It aims to:

- address market and private business-oriented entities directly
- stimulate business opportunities through improved frame conditions in rural areas
- ensure a safe and high-quality food supply for the consumer.

In many rural areas the agricultural service and trade sectors are often the only alternatives that offer job opportunities. In the absence of governmental trade monopolies and the declining importance of governmental provision of agricultural services, the prospects for new business opportunities seeking to fill the vacuum appear promising. Rural agribusiness support is designed with the prerequisite of reducing poverty in mind. Agribusiness entities are responsible for supplying food at affordable prices, under acceptable hygienic conditions, with consumer-oriented quality, and in quantities suitable for a growing urban population. The global population increase, combined with the acceleration of urbanization in developing

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countries offers much potential for future business development in the agricultural and food sectors.

Urban markets in African countries are growing at a rate of 6 to 10% per annum, compared to an almost flat export development. Thousands of small-scale traders, food vendors and home-based food processors have found employment in an expanding food trade system. The future of agribusiness in developing and transition countries lies therefore predominantly in their domestic markets, in contrast to much theorizing, which tends to concentrate on export markets. The provision of food safety is of growing concern even in relatively well-developed countries, and presents a major problem in developing countries with rapidly growing megacities. Increasing demands on women's time due to changing lifestyles and shifts in relative prices associated with rural-to-urban migration are altering food preferences. Dietary habits are thus becoming more diversified, as basic staples are replaced by processed food, which requires less preparation time at home.

The challenge of producing and supplying hygienic food is an increasing problem for a number of producers and processors in developing and developed countries. This pressure is created by international food chains relying on inputs from developing countries, combined with the rising environmental deterioration of production and processing conditions. One task of agribusiness support is to support food production quality in developing countries. The question of food quality is also increasingly important in a growing world economy with rising consumer awareness. With the opening of markets, the pressure to rationalise agriculture has reached even the remotest rural areas anywhere in the world. Agricultural sectors are faced with growing demands: they need to raise quality standards for their products, have more transparent production and handling processes, while sometimes having to produce these food products in a deteriorating natural environment.

2. Promotion of Agribusiness Strategies

The design of agribusiness strategies mainly depends on the intentions of the organising agency and responsible authorities, their financial, technical and managerial abilities, and the general economic and political framework situation in which the strategy is going to be embedded. Commonly, the support of agribusiness strategies is focussing on the abilities and capabilities of entrepreneurs of small and medium-sized business entities in the agricultural and food sectors. In the context of bilateral or multilateral cooperation the development objective of poverty alleviation in rural areas is the main reason for promoting agribusiness. Many agribusiness enterprises are known to be very labour-intensive. Not only does primary production require additional workers, but new jobs are also created in the processing industry, and especially in the service sector. With public financial support for agricultural services, the private sector faces an additional challenge in finding clients who are willing and able to pay for these services. By implementing public support strategies in agribusiness, the GTZ has experienced limitations, which should be addressed when designing and implementing new programmes:

- a transparent selection process should be guaranteed, e.g. through public tendering of private collaboration partners
- the prompt dissemination and accessibility of experiences and data to non-participating private entities must be ensured
- the financial contribution of collaboration partners needs to be defined and agreed upon prior to program implementation
- *the sector environment should be carefully studied and assessed, especially the general macroeconomic situation and its impact on demand.*

Many developed countries are implementing innovative agribusiness support programmes in poorer regions in order to generate economic development. Useful hints and experiences can be gained regarding new information technologies or improving framework conditions.

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2.1. Recognising potential of products and markets

Any strategy seeking a sustainable development impact has to build on a real growth potential enabling people to generate at least part of the funds to pay for the necessary services. The problem is to identify a promising new potential. After all, the only way of proving the existence of a market potential is by trying and realising it. General criteria and guidelines are given below:

→ Utilize the comparative advantages of smallholders:

Generally speaking, the comparative advantage of smallholders is rather a niche product that serves small markets and is less competitive than the major commodity markets. Cases are spices or organic tropical products such as organic coffee. Secondly, rural poverty groups maintain an edge in products requiring additional labour close to where the raw product originates, e.g. for harvesting, grading, processing and packaging. Typical items include dry fruits, cut flowers, honey, silk, meat and dairy products.

→ Target the fair trade and organic markets:

The fair trade market is the most obvious outlet for small producers, trade fairness and development benefits being sales arguments for critical consumers in rich countries. The same applies to the organic market selling the idea of sustainable development. Increasingly, international traders set up special product lines along these lines.

→ Promote product differentiation within established markets:

Rather than establishing new products in a tough food market, strategies should first look for product differentiation in already established markets, such as organic variants of coffee, cocoa or bananas.

→ Add value:

Another strategy that builds on existing market links is to explore the possibilities for adding value through cottage industries. This includes the development of non-traditional products from conventional raw materials such as coconuts etc. Potential also lays in the transport, packaging and marketing services related to agriculture.

→ Screen innovative local products:

Smallholders sometimes have natural lead in specialties, being the only ones knowing about a marketable natural substance or interesting new plant. Examples are leaves, ethnic foods, oils, essences for cosmetic uses, non-synthetic pesticides or chemicals and exotic fruits or plants. A rather special, yet commercially promising case is the tropical tree fruit Borojó that has a reputation of increasing human libido.

→ Domesticate and regularly produce marketable wild species:

Shifting from collecting and hunting to breeding not only avoids ecological damage but also creates jobs. The domestication of the West African grass cutter (*Thryonomis*) provides an excellent case of an emerging industry with breeders and craftsmen making cages. Crocodiles, butterflies, and in future, seahorses all have a potential.

→ Target local high-value market segments:

The retailing structure changes, especially in Latin America and Asia with increasing numbers of supermarkets and hotels offering new outlets for high-value local fresh products.

Each product suggested for agribusiness development should not only be commercially viable but also offer prospects for meeting poverty alleviation and environmental objectives. Agribusiness strategies need to support those products, which provide an additional social and ecological benefit. Organic agriculture markets and trade in environmentally and socially responsible products hence are preferred partners. Fortunately, the comparative advantage criterion quoted above appears to partially coincide with development goals. Probably, public agencies are not best placed to identify and develop the business opportunities. Private firms usually have a better feeling for markets. However, they can assist in market surveys.

2.2. General constraints and principles of Agribusiness Strategies

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2.2.1. General Constraints

In spite of existing market potentials, rural smallholders experience many constraints impeding their progress. The persistence of the rural poverty problem indicates structural problems and market failure that are at the root of economic stagnation. Agribusiness will not move ahead unless the most obstructive public problems are tackled. The constraints in low income countries include following aspects:

- Overall, public infrastructure in many rural areas is poor, posing great difficulties for transport and post-harvest handling.
- The institutional set up and organisation of markets is insufficient, leading to high transaction costs for small producers and unfair trade practices.
- Economic regulations are often heavy for entrepreneurs and may include abusive practices.
- There is a lack of technology, market information and business knowledge. The shortcomings in the supply of the indispensable public goods (institutions, infrastructure and information) are aggravated by the conditions of poverty under which small-sized farms and entrepreneurs operate. They are significantly disadvantaged in competition because of their lack of capital, insecure tenure status and hence lack of collaterals for obtaining loans, and the resulting difficulty in procuring essential inputs and services.

In addition to these general problems, each sector poses specific collective good issues. The following criteria focus on three important concerns that any strategy for agribusiness development in the interest of smallholders needs to address. They are of great relevance in the work of development agencies, including GTZ.

- **Knowledge:** Availability of technology, information, extension and training.
Developing an agribusiness potential always requires new knowledge: First, all organic and speciality products involve the use of relatively knowledge-intensive technology and the respect for quality standards and grades. At the same time, high-value production regularly implies close co-ordination with others operating in this sector, and hence a more intensive information exchange with customers and partners. Finally, entrepreneurs need to observe the evolution of market demand and prices. In any case, the information needs to be widely available. These requirements are hardly met, especially in African countries.

- **Agribusiness:**
Agribusiness places high entry barriers on farmers in terms of capital requirements and qualification that are difficult to overcome for individuals. Small-scale producers are unable to reach the appropriate scale of operations on their own. This applies to bulk investments, the produce needed as well as the control of transaction costs.

- **Trade policy and governance:**
A topic, every agribusiness strategy has to face, is the regulatory framework of food production. Export hinges on the compliance with global regulation of agricultural trade according to WTO protocol and related agreements, e.g. food safety standards. The specialised markets that are of particular interest to smallholders are regulated by quality standards for organic food. Yet, in many countries the capacity to deal with these requirements at the national level is still insufficient.
All these issues are key factors determining the success of an agribusiness strategy for benefit of small producers. They indicate implicit market failure that needs to be addressed by a joint effort of governments and international assistance.

2.2.2. General Principles

Some principles deriving from cases of agribusiness in developing countries are listed below:

→ Start at the market end:

Any approach to promote agribusiness needs to build on an existing market or at least an identified potential outlet. Here, the private sector plays the decisive role, while development cooperation can only support market analyses and provide information.

→ Concentrate on public functions:

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The principle means of development agencies to achieve the objective is to provide or strengthen public services. These include the improvement of capacities for support services such as training, extension advice, technology and information supply, and the strengthening of producer associations and organisations. Regulatory of services, e.g. the introduction and application of norms for ecologically sound production can improve the conditions under which farmers work and may improve their competitive stance.

→ Partnerships:

No public agency can develop agribusiness on its own. Development needs partnerships, between actors in the agrifood sector and between public agencies and private firms.

→ Target the food chain as a whole:

In any case, the analysis of agrifood chains provides the conceptual framework. It is only by tracing the whole chain linking producers and markets that the specific constraints and potentials of a commodity become obvious, and that stakeholders can be identified. Ways for agribusiness support can only be successful when the functioning of the chain is kept in view.

2.3. Scenarios

Strategies to agribusiness should be adjusted according to the corresponding scenario.

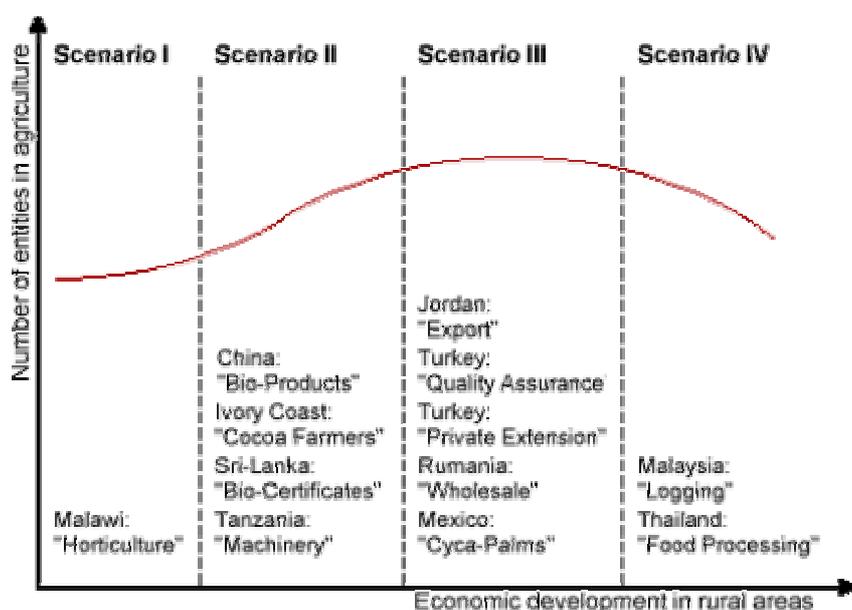
Figure 1: Scenarios and characteristics

Scenario I	High ratio of non-monetized farming activities, surplus production as market supply
Agribusiness support activities	<ul style="list-style-type: none"> ● training of farmers in market-oriented production, ● supplying agricultural inputs, ● organizing collection points for produce, ● opening up marketing channels, ● organizing logistics and market contacts ("linking-farmers-to the market" initiative), ● need for public-funded services for agricultural production and rural development
Scenario II	Large number of small enterprises, little coordination in market supplies resulting in high price fluctuations and low productivity of agricultural enterprises
Agribusiness support activities	<ul style="list-style-type: none"> ● diversification of the agricultural production base, ● promoting the formation of marketing groups, ● development of agro-processing industries and facilities, ● encouraging competition amongst marketing channels, ● providing access to finance and saving facilities, ● group mechanization program ("linking-farmers-to the market" initiative), ● public services required to cushion regional or social imbalances in rural sectors
Scenario III	Increasing specialization of agricultural farms and marketing entities, combined with beginning of concentration process of business entities
Agribusiness support activities	<ul style="list-style-type: none"> ● supporting capital-intensive or high-risk agricultural production, ● formation of larger marketing entities, e.g. wholesale business, ● setting up of a rural market infrastructure to facilitate wholesale trade, ● supporting the establishment of private service providers, ● strengthening integration of marketing entities into production, ● public services required to improve frame conditions and control functions
Scenario IV	High degree of competition forcing business entities out of the market, followed by slow adjustment process of agribusiness entities to rapidly-changing market
Agribusiness support activities	<ul style="list-style-type: none"> ● introducing new production and processing technologies, ● supporting introduction of innovations, ● encouraging cooperation between producers, processors and clients, ● supporting horizontal cooperation efforts amongst producers and processors, ● apart from regulatory and control functions, no further public services required

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In the first two scenarios the number of agribusiness entities are rapidly expanding (in Scenario I only from a very low absolute basis). In Scenario III the number of business entities reaches saturation point, while Scenario IV hypothesizes a decline caused by concentration, takeovers, reduction in primary production, increasing food imports, etc. We often observe a duality of two scenarios in a single country, when for example the export sector is well developed whereas the local market-oriented agribusiness entities are weak.

Figure 2: Focal points in supporting agribusiness



2.4. GTZ Areas of Agribusiness

Based on the GTZ's field experiences, the following intervention points are of wider importance and present a future challenge for technical cooperation support.

- **Product quality and trade**

In the context of global market integration/liberalisation and the growing quality awareness of consumers worldwide, there is a rising concern and consensus that aspects of food quality represent a future challenge for GTZ cooperation programmes. If developing and reform countries are interested in at least maintaining their present levels of competitiveness, some further innovative efforts are required.

- **Management of agribusiness-related support services**

Since governments have pulled out or reduced their commitment to provide extension and other support services for the agricultural sector, there is a growing need to fill this vacuum. However, at the same time the vacuum represents a chance for new business opportunities.

- **Development and management of market infrastructure**

The development and management of market infrastructure was a common feature during the 70s. The topic has now returned to the agenda concerning supporting transition countries in the provision of new market facilities designed to encourage the development of marketing channels. Furthermore, the private management aspect of these public utilities is an additional new feature.

- **Management of food chains**

The management of food chains is common in highly developed food marketing industries. The basic objective of this approach is that the main buyer (processing industry or food distribution chain) wants to establish a control mechanism and/or assurance system about primary production and the subsequent post-harvest procedures. This approach was perfected in the logistics branch (e.g. just-in-time

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production), and later applied to the food sector, where a rising number of food scandals and marketing losses, coupled with an increasing volume of trade in perishables, have demanded its introduction. Many developing countries have been first challenged and then forced out of markets where strict food chain management regulations apply by large-scale food distributors, for example. However, it simply takes too long to adjust homegrown industries in the agricultural sectors of developing and transition countries. The rising interest in certified bioproducts in developing countries and the monitoring vertical production and marketing system are further examples of the GTZ's active involvement in the management of food chains.

• Voluntary organisations and cooperation in production and marketing

One of the GTZ's development objectives is to target its measures towards the rural poor. Accordingly, the GTZ's agribusiness support only cooperates with small and medium-sized entities with a comparatively small output. To overcome the problem of numerous potential cooperation partners, while at the same time strengthening the market chances of small and medium-sized agribusiness concerns, the GTZ largely focuses on voluntary production and marketing organisation and cooperation. Due to many difficulties in dealing with the legal form of agricultural cooperatives in the past, other forms of cooperation are encouraged.

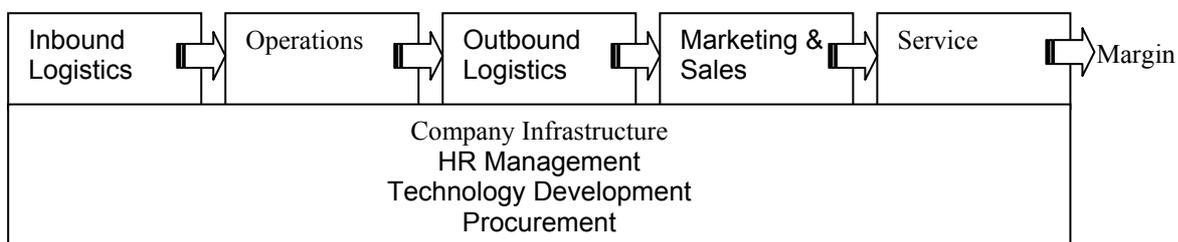
3. Value Chains

3.1. Theory of the Value Chain Approach

Generally a chain is defined as a sequence of organisations that are involved in consecutive production activities (DICKEN & THRIFT 1992 in BATHELT/ GLÜCKLER 2002). Since the last five decades several concepts that keep the chain element in focus have been developed. The major approaches are described below.

The scientific discussion about vertical integration of production and distribution processes started in the 1960s. The “*filière*” concept describes the flow of physical input and services in the production of a final product (a good or a service). The French scholars analysed the vertical integration and contract manufacturing in agriculture with the “*filière*” concept during the 1960s. Later this concept was applied to industrial policies. As the “*filière*” concept is a static model with non changing actors and national boundaries it is less functional to analyse the globalized world economy (STAMM 2003). In the mid 1980s, *PORTER* developed the so-called modern value chain analysis as an instrument for identifying the value of each step of the production. Considering the production of companies *PORTER* identified primary and support activities that form the chain.

Figure 3 Porter's generic value chain:



Source: <http://www.netmba.com/strategy/value-chain/>

Primary value activities are: Inbound logistics, Operations, Outbound logistics, Marketing & Sales and Services. These primary activities are supported by the following activities: Infrastructure of the company, human resource management, technology development and Procurement. The company's margin depends on the performance of the activities. *Competitive advantages* can be created by reconfiguring the chain in order to achieve *lower costs* or performing a better differentiation than competitors do. The ten cost drivers for enterprise chains identified by *PORTER* are (www.netmba.com/strategy/value-chain/):

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- | | |
|--|--|
| <ul style="list-style-type: none"> • Economies of Scale • Capacity Utilization • Interrelationships among business units • Company’s policy of cost or differentiation • Institutional factors (regulations, taxes,...) | <ul style="list-style-type: none"> • Learning • Linkages among activities • Degree of vertical integration • Timing of market entry • Geographic location |
|--|--|

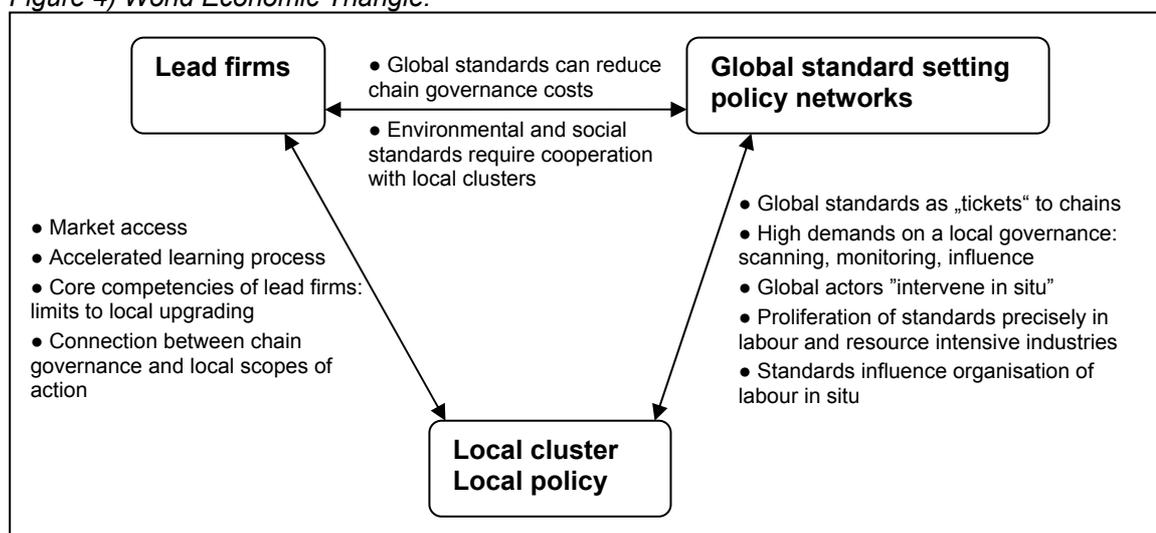
Drivers of uniqueness (required for competitive advantages through differentiation) recognized by PORTER are:

- | | | |
|--|--|--|
| <ul style="list-style-type: none"> • Policies and decisions • Timing • Learning | <ul style="list-style-type: none"> • Linkages among activities • Location • Integration | <ul style="list-style-type: none"> • Scale • Interrelationships • Institutional factors |
|--|--|--|

The generic PORTER value chain prepared for the optimisation of enterprises is functional for the whole production process of commodities, too.

A third concept under the term “Global Commodity Chain (GCC)” was introduced in the mid 1990s (GEREFFI 1999). GEREFFI is focussing on the power relations in the coordination of globally dispersed, but linked, production systems. He has shown that generally commodity chains are characterized by a leading party or parties that are determining the overall character of the chain. GEREFFI differentiates between “producer-driven” and “buyer-driven” global commodity chains. Capital and technology-intensive industries such as automobiles, aircrafts or computers are typical examples for “producer-driven” global commodity chains, while labour-intensive industries such as consumer electronics or food production are examples for “buyer-driven”-chains. For the latter the specifications are supplied by the large retailers or marketers that order the goods. The core elements of the GCC approach are the international dimension, power or governance, coordination and organizational learning. The main hypothesis of the GCC is linking up with the most significant “lead-firms” in an industry. Lead firms are distinguished from subordinated companies in terms of access to major resources (e.g. product design, brand names or consumer demand). Other authors (MESSNER 2002, HUMPHREY/SCHMITZ 2002) are pointing out that the combination of strong local linkages within global commodity chains might bring upgrading prospects for regions in developing countries. MESSNER (2002) developed the concept of the “world economic triangle”, where actors, governance and regulation systems are determining the scopes of action open to regions in the global commodity chains (see figure 4).

Figure 4) World Economic Triangle:



Source: MESSNER, D., 2002.

The “Triangle” is influenced by six governance aspects: actor constellations, interests, power structures,

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situational mindsets, action orientation and trust. Global standards as a regulatory system aim to reduce transaction costs by improving trust between chain elements.

3.2. Knowledge Management in Value Chains

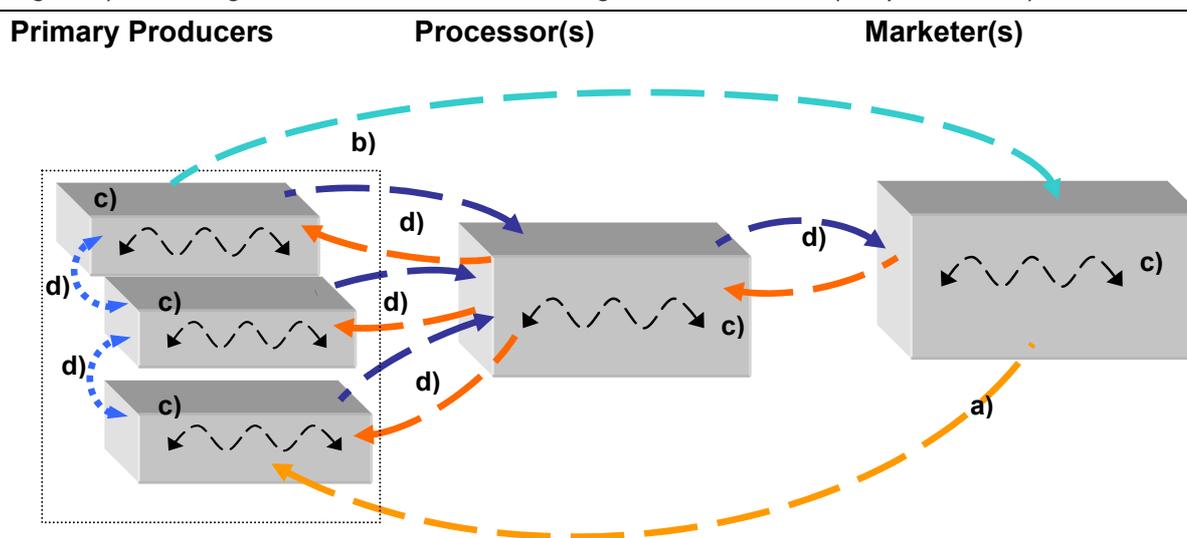
In recent years, the Value Chain Approach is commonly applied in development cooperation. Production of consumables consisting of agricultural raw materials is increasingly being locally disintegrated as international commodity markets are being liberalized. Raw materials are produced in developing countries, processed in another country and finally consumed on large industrialized-country markets. Applying the value chain approach for analysis of such sectors often shows that value added in industrialized countries and value added in developing countries is unequally distributed. Therefore, technical cooperation that operates along value chains tries to increase the share of value added in labour intensive sectors in poor rural societies.

Research has shown that in key business sectors, the access of developing countries to large, differentiated markets can be more readily achieved through integration into value chains with a division of labor than through independent export. Developing countries may be more successfully integrated into global markets by getting linked to value chains through sourcing and outsourcing strategies of multinational companies. Consumers on big markets (e.g. USA, EU) demand constantly higher quality standards, especially guaranteed food safety. Application of pesticides in food production, hygienic standards, technical specifications in processing, nowadays even ecological and social standards all influence customer decisions to buy or not to buy a product. Given the distance between producers and consumers on both ends of the above-described chains, there is a need to inform all chain partners (or members) about consumer requirements.

Furthermore, complex processing technology requires increasingly standardized intermediate products as prerequisite for further processing downstream the production chain. Such requirements can only be fulfilled with advanced skills and technology. Therefore, knowledge (i.e. skills and information) becomes a production factor in modern value chains.

The flows or linkages between firms within a chain are determined by information and knowledge transfer, which occurs in different ways (*see fig. 5*):

Figure 5) Knowledge and Information Flows through the Value Chain (Simple Scheme):



(a) targeted transfer of knowledge by the lead firm/s using backward linkages; this concerns mainly product specifications (quality, certification etc.) and other expectations (price, quantities, time etc.) by the lead/s firm to their suppliers

(b) transfer of local/ specific knowledge by the least chain elements to the lead firm/s; this refers mainly to information on the status of the supply

(c) product-related learning by doing in order to improve the efficiency of production or processing

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(d) Intra-firm learning processes as informal and formal knowledge transfer; the formal transfer is often organised by private sector associations or similar bodies.

BATHELT/GLÜCKLER (2002) recognized four types of learning processes within value chains:

- Learning by searching (Knowledge is acquired through new technologies)
- Product related learning (Learning by Doing; Learning as a by-product of daily production experience)
- Quality related learning (Learning through training and learning through hiring; new knowledge through systematic training courses and specific recruitment of labour force)
- Interactive learning between firms (communication and adjustment processes between supplier firms, context specific).

Learning processes in value chains are most effective where firms are close to each other in geographic terms. Thus the creation of innovation through knowledge requires a certain level of agglomeration or clusters, where chain actors have the possibility for frequent information exchanges (see HALDER 2002). Even if the internet is facilitating very fast communication channels, which reduce transaction costs enormously, the linguistic and cultural factors of communication are depending on regional or local contexts (KARMARKAR 2000).

Flows of information or learning processes through formal and informal interactions are often not reflected by the actors. Nevertheless they are contributing significantly to the upgrading of chains. The diffusion of knowledge depends on the set of connections between private and public actors in a given region (SCOTT 1996 in HUMPHREY/ SCHMITZ 2001).

The “Value Chain Readiness” of developing countries can be improved through knowledge-based inputs at the basis (STAMM 2004). Therefore institutions of training, applied research, standards and quality control in developing countries should be improved and involved. Also the setting-up of information management systems could reduce information asymmetries in favour of the weak elements. Knowledge plays a crucial role for the success and thereby the margin of value added which can be generated in a value chain. Market information and skills have to be acquired by developing countries’ members of value chains in order to increase these margins.

Knowledge can be provided by capacity building in the short term. Research and development and support institutions (training facilities, extension services) have to be strengthened through organizational development. Membership based organizations can be strengthened to disseminate information transparently and thereby upgrade wide segments of value chains.

In the long term, institutionalized knowledge management throughout segments of value chains is needed in developing countries. Market information management systems have to be established in such a way that even small scale producers in rural areas can access them in order to adequately respond to changing market requirements.

3.3. Guidelines for the Improvement of Value Chains

Some guidelines for the improvement of value chains focussing on knowledge, skills and information flows are outlined as follows:

- 1.) Increase of value added in developing countries within chain elements and/or by developing more chain elements within a given country (e.g. processing of primary production).
- 2.) Analysis of all actors and relationships (e.g. interests, power structures, trust) in order to develop systematic strategies for interventions.
- 3.) Strengthening of weak elements or flows within the chain through capacity building and improvement of access to information.
- 4.) Organising small scale producers in associations, cooperatives and other farmer-based institutions for greater efficiency and a better bargaining position (e.g. access to credits, Information access, lobbying).
- 5.) Extension for production and processing on certification instruments (“International Standards”) to enable the actors in developing countries to participate in the globalized agricultural economy.

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markets.

7.) Promotion of formalised communication structures between the actors of a value chain.

4. Service Provision and Development in Agricultural Value Chains

Mathias Braun, Sector Project „Knowledge Systems in Rural Areas“

paul-mathias.braun@gtz.de

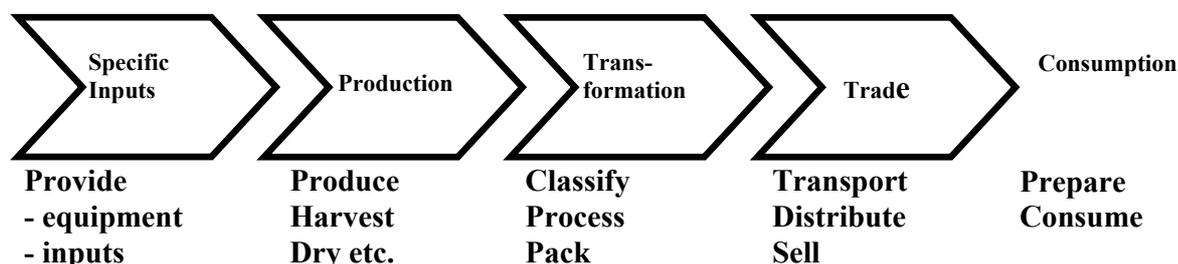
Introduction

The Value Chain Analysis and Development approach (VADE) devised by GTZ is an analytical instrument to systematically enhance market access and competitiveness of small to medium scale rural producers and processors. Agricultural value chains consist of input logistics, primary production, processing/packing/ transport (transformation), marketing (trade) and the final consumer. Catering may be an additional step before consumption.

The chain is supported by providers of advisory, innovation, financial, information, management and technical services. Financial services (i.e. banks) are not considered here. The main role of non-financial services is to improve productivity and competitiveness, lower transaction costs, generate and introduce innovations, assist chain members to meet standards, find and secure markets and help businesses to grow. They support either processes (e.g. skills, information, knowledge) or deliver products (e.g. finances, inputs, analytical results). These services need to be efficient, i.e. competent, timely, cost-effective, flexible and readily available to all in order to support the productivity of the chain. Common problems are non-existence or low capacities and quality of providers, dependence on subsidies, as well as poor accountability to clients.

The basic tasks of development programmes is to improve value addition for small-scale rural entrepreneurs. Programmes can help to configure the chain (e.g. governance, links, coordination) and organise capacity development and improvement of services rendered. The article describes and classifies service providers, gives general guidelines and proposes tools for management and capacity building in the context of rural development programmes.

Generic Value Chain (after Springer-Heinze, 2005)



The Service Providers:

Major service providers for agricultural value chains include:

- Input agencies for information and maintenance. As providers of primary services they may be also grouped as part of the input logistics within the chain.
- Applied agricultural and food research institutions generate innovations and technologies for production, storage and processing.
- Extension organisations provide technical and management advice and training and may also

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facilitate linkages to other actors. Extension advice may be given by individual experts as well. Public extension may also have regulatory tasks.

- Information supply agencies provide data on prices and costs as well as on market access/ development and links. The information may be in databanks and published through websites, radio, telephones (SMS) etc.
- Business development agencies do capacity development in management skills, and give advice and support in business, financial and marketing issues.
- Quality management companies support entrepreneurs to meet standards and/ or certify the standards.
- Regulatory bodies develop and check production standards and regulations.
- Various technical providers perform specialised services in e.g. land survey or laboratory analysis.
- Projects in the development context can be financiers for interventions, but often take over some services as temporary substitutes: This is frequent, when services are not yet available in the local context, or are not yet provided with the required quality.

Table 1. Overview on major (non-financial) service providers in agricultural value chains

SERVICE PROVIDER	TYPE OF SERVICES RENDERED	DEVELOPMENT OPTIONS
Input dealers	Information on inputs, maintenance of equipment	Private services; qualification to give qualified information
Applied research stations	Generation of innovations and technologies	Demand orientation, contract research, communication with stakeholders
Extension organisations and consultants	Provision of technical advice, training, qualification, (regulation)	Demand orientation, privatisation, embedded services, technical and methodological qualification; finance mechanisms, associations
Market information agencies	Collection and publishing of prices, costs, market opportunities, linkages, standards, regulations	Demand orientation, capacity development, communication through different media, finance mechanisms
Business development agencies	Provision of information, advice and training on management, finance, linkages, business plans	Demand orientation, embedded services and privatisation, finance mechanisms
Quality management companies	Provision of management, advice and schemes, conducting of certification	Demand orientation, development of adapted certification handbooks
Technical services agencies	Provision of analytical results, surveying and mapping, veterinary services etc.	Private and public services; demand orientation
Regulatory bodies	Determination and publication of government standards and regulations, conducting control	Development and communication of standards, policy advice, customer orientation, financial mechanisms
Projects/ donors	Carry out facilitation, capacity development, finance (PPP) and sometimes substitute services	Start up and facilitating role, pro-poor orientation, substitute services and exit strategy for support;

Most service providers are not specific to a particular value chain, but usually serve many chains. The

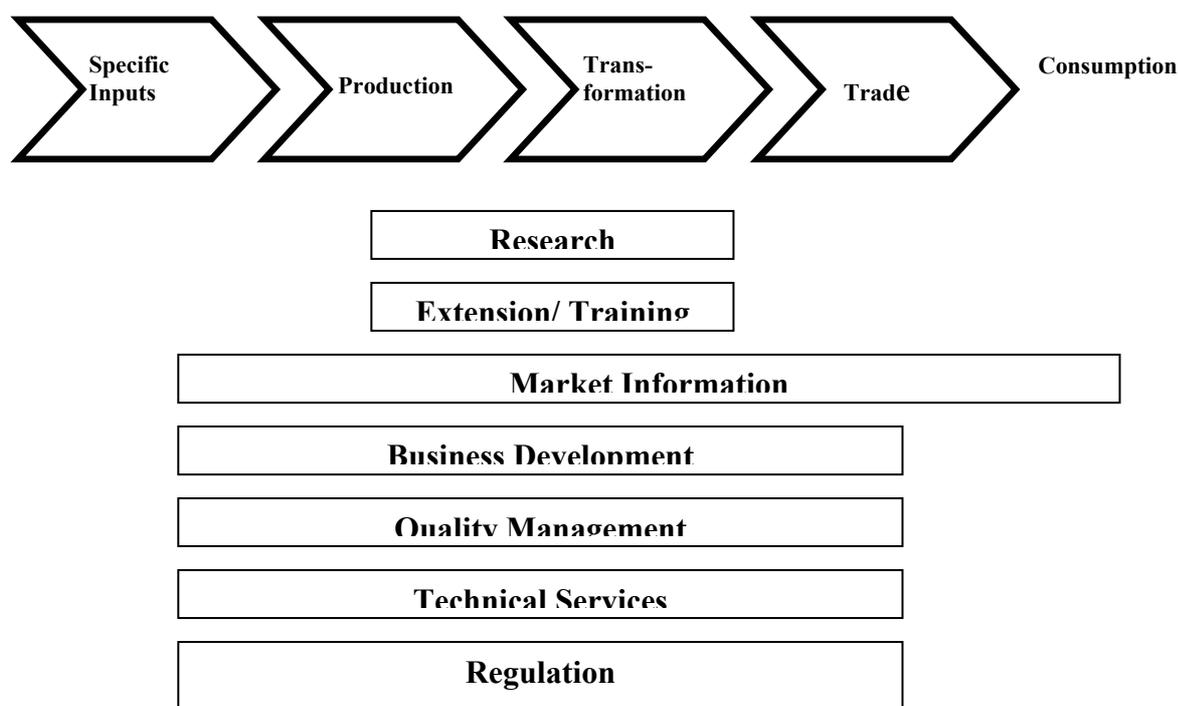
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capacity development of service providers for one chain has therefore effects on non-target commodities in the sense of local cluster development.

Development projects should take the initial initiative to coordinate and develop services and take over temporary roles as moderators/ coordinators. They tend to provide substitute services as well. Here, the mandate and a clear and transparent exit strategy are important to avoid conflicts and dependencies. The goals for development project interventions in the service system for value chains is to help create and organise a self regulating, transparent service system that supports small to medium scale farmer and processors. Financial and organisational sustainability of the system can only be achieved with interventions on all levels of the system:

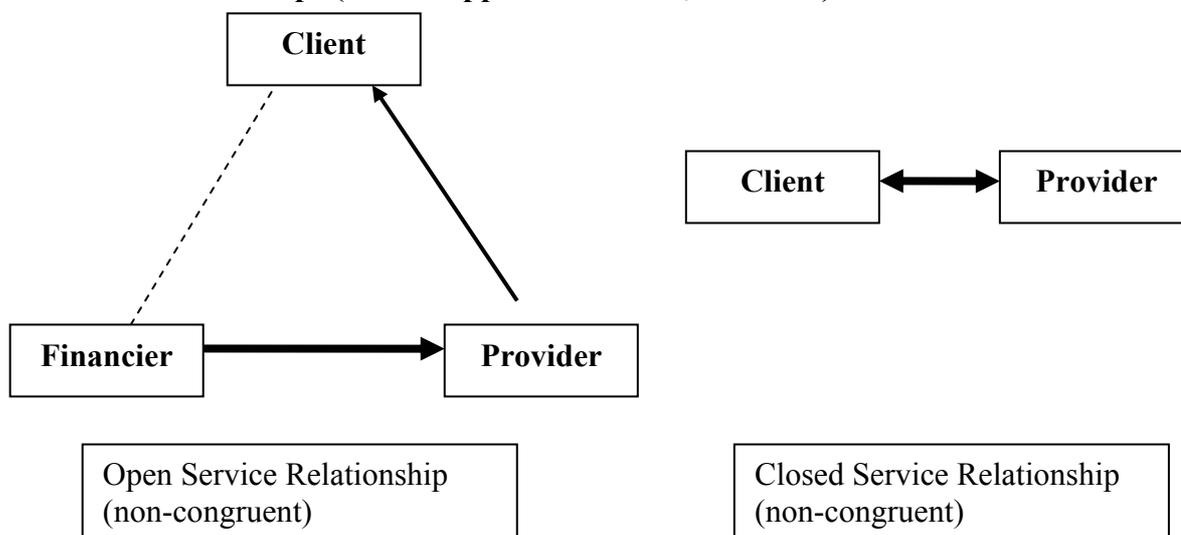
- national and sector policy for market oriented agriculture and service provision
- coordinated and regulated network of capable service providers, if possible self-organised
- client self-organisation for quality demands, representation and efficient service provision

Groups and Range of Services in Value Chains



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Service relationships (from Huppert et al. 1998, modified)



The relationship between a client and a service provider can be either:

- closed (non-congruent), if it is direct between the two parties only, or
- open (or congruent), if the service is financed by a third party.

The relationship determines to a large extent the client-orientation and financial sustainability of the service sector. In a closed relationship, the client pays directly to the service provider for the services rendered. Here, the client-orientation of the provider is usually strong – except in cases of market failure. Market failures are monopolies or very intransparent markets for services. Most services in value chains are of private nature, i.e. they give a direct monetary benefit to the client and should therefore be paid for by the client – in other words: closed relationships.

In open relationships, the services rendered are not paid by the recipient, but by a third party, e.g. the state or a donor. Examples are public research and extension, but possibly also production advice by lead firms in a value chain. Such service relationships used to be very common in rural areas and often lead to poor customer orientation. The service provider in this arrangement naturally feels more responsible to the financier of the services than to the client (function splitting). They are typical for services of public nature, like regulatory services or public research.

Embedded services, i.e. services rendered by lead firms in a value chain or by organisations of chain members (e.g. service wing of farmers associations), are particular, since they are open to members only and paid indirectly by the members, who usually control the quality quite well.

The information flow within value chains

Market demand is the driving force in value chains. Commodities required, quality standards, prices, quantities and time for delivery are determined to a large extent by the traders (and consumers) and the relevant information communicated down the chain. The flow of information is often flawed on the side of the producers, particularly concerning realistic market demands and expectations of the other chain components.

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Besides vertical, top-down communication, there is also horizontal communication among (organised) farmers in a certain area. They exchange information on production techniques, inputs, markets, prices and services to improve productivity and to scout for new niches. Vertical communication can be promoted by market information services and facilitated fora where producers, processors, traders and other stakeholders systematically exchange expectations and improve linkages and flow of information. The organisation of horizontal communication and the exchange of experience in fields of common interest is a task for local organisational development (refer to instruments below).

The nature of services

Services may be provided by state, private and/ or civil society organisations or private individuals. The traditional models are either public monopolies or private organisations and individuals. More recently, services by the civil society and embedded services gain importance for support in development projects.

Information flow within value chains

Most services can be public, private, or delivered by the civil society, depending on the situation of the country and the commodity. Theoretically, the degree of public interest in the service should determine its nature. In practice, there are often historic or political reasons behind existing arrangements. Only regulatory services are purely public by nature, even though the execution of regulation may be subcontracted. Applied research is also usually public, but may be also in-house in large farm or processing companies, large marketing organisations or even within cooperatives/ associations. Contract research is public research paid for by the private sector. Extension is still largely public with a trend towards privatisation. Input supply should always be private.

The extreme in the nature of services are those which are publicly financed and publicly delivered services (e.g. research) or services paid for and delivered by the private sector (e.g. private marketing company). In-between these extremes, the public sector might continue to finance service provision, but subcontract delivery to the private sector, or the public sector may itself be contracted by private sector institutions to perform certain tasks on their behalf (e.g. contract research). Combinations of these models are becoming increasingly common as new partnerships emerge in which financing and delivery are shared by both the public and private sectors. Embedded services are private, but with restricted access to members of the arrangement only.

Public services may still be supported by development projects if they function satisfactorily within a sound public service. If the public service framework is poor, it is usually better to support or build up private or civil society services. A multitude of providers of different nature, with pluralism in funding together with market transparency is a good basis for healthy competition between providers.

Financing of Services

Sustainable funding of quality and demand-oriented services is a major challenge in value chain development. There is a general dissatisfaction with the effectiveness and efficiency of state funded services. Efficiency here means quality service rendered at a reasonable cost to a large number of clients. The hypothesis underlying financial participation of clients in service delivery is that it leads to higher demand orientation and thus efficiency of services, as well as to greater outreach. Funding sources for services include regular government or district budgets, limited development budgets and donor grants or other support, indirect taxes or levies e.g. on inputs or produce earmarked for service, direct or indirect individual user fees (cost covering or cost-sharing) as well as collective membership fees by e.g. cooperatives or parastatals. Regular budgets, levies and taxes are especially suited to finance existing public services and for contracting out. Demand side funding (“reversal of funds”) by donors or the government is often administered through voucher systems. Direct payments are often governed by contracts, determining the services and the price. Embedded services are paid by membership fees of e.g. associations or have more or less hidden costs within lead companies.

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The principal decision on financial participation or full payment for services by clients is determined by the degree of public or private interest in the service and in practice also by the willingness of the clients to pay. Services that directly increase the profit of rural households are of more private interest than those having a benefit for the general public, like environmental measures with a long term national or even international impact.

One option for the reversal of funds are voucher systems, where the financier supplies vouchers to the clients that can select the services they want. The collected vouchers are returned for payment by the provider to the financier. Such voucher systems need to be strictly supervised, as they may favour corruption and inefficiency, particularly in imperfect markets. Subsidies should be at the most limited to start-up financing in commercial value chains.

Quality management of services

Quality factors for services in value chains are rather generic for most social or product services. They include:

- technical competence and range of services offered,
- reliability, availability and accessibility,
- flexibility to react to the client's needs,
- return to investment and cost.

These factors determine the perceived and objective quality of services. Components for quality management systems include:

- direct measures such as contractual conditions for service providers (minimum qualification of field and managerial staff, number of clients, services rendered in number and quality, documentation etc.) based on ex-ante monitoring of clients needs and expectations. Client satisfaction needs to be monitored during the supported time, impact can be assessed ex post. Established minimum standard schemes should lead to certification and accreditation of capable service providers by government agencies, associations or lead firms.
- supporting measures such as improving competition and bargaining power by creating transparency of the services market for the customers, capacity building for service providers, initiating quality circles of service providers, reversal of funds and cost sharing arrangements for services to improve client orientation, and measuring service quality through benchmarking.

Both direct and supporting measures should be part of development strategies of projects and based on thorough analysis of capacities and needs as well as availability of providers. Action required is on capacity development, local organisational development and creation of general demand orientation. Instruments are presented below.

Tools for the analysis of the service sector

For development programmes it is important to have an initial overview on:

- the service needs, capacities and expectations of the clientele,
- available service providers, their capacities and costs.

On the basis of baseline analysis, projects can determine strategies to support the development of the services sub- sector and either facilitate the configuration of a selected chain and/ or engage in capacity development.

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The Services Interaction Analysis is a basic tool. It answers the question of who gives which services to whom. The analysis is best done in a workshop with client representatives, on the basis of an initial survey of existing providers. The analysis starts with an inventory. On that basis a matrix of relationships is drawn: the service delivery programmes are on the one side (each provider, ordered by service and client) and the service receiver programmes on the other side (services an actor receives). The providers are further analysed on strength & weaknesses (capacities and deficits) and problems (capacities, interaction, clients capacities and demand, willingness to pay). The analysis needs to be narrowed down to key services after the first steps. It results in the identification of deficits in current service provision, possible multiple service provision/ overlaps, determination of capacities of service providers, governance mechanisms and portfolio of single providers. It is the basis for developing scenarios and strategies and later selection and capacity development of service providers.

Use of Tools in the Course of Interventions

The Power and Interest Analysis answers questions on the influence of self interest of actors in the services system and the consequences for planning. It is performed best in an in-house workshop. The sequence is as follows: the network of relationships between actors are drawn on the basis of an inventory. The interests of these actors are identified as favourable/ unfavourable, overt/ covert and their potential influence (weak – strong, matrix) is assessed. This results in the identification of weak and unfavourable relationships that need to be worked on or observed as obstacles. Viable relationships are strong and favourable and are suited for alliances. The analysis has consequences for coordination and management of relationships.

The Actor/ Function Grid helps in the clarification of roles especially for process oriented services. It is done in a workshop with client representatives and service providers,. The steps are: a matrix with main actor categories (government, parastatal, private companies, civil society, social organisations, informal service providers, donor organisations) versus components of service delivery (finance, delivery, assurance) is drawn. The information forms the basis for policy development and guidelines for the development of roles

The tool “Charging users for public service provision” is a checklist that can be applied to assess the use of charges as a governance mechanism.

The Training Requirements Analysis defines training needs and training content for actors in selected value chains. It consists of a series of surveys, analysis and round table workshops with commodity specialists, expert farmers and a moderator. The basic steps are: production survey, determination of poor, average and outperforming production/ processing standards, compare to external requirements (e.g. certification standards). Standard good practices as a basis for production certification, extension and training are determined step by step in round table workshops with commodity specialists, expert farmers and a moderator. The standards are the basis for extension and training programmes in production and certification.

All tools are available under www.gtz.de/agriservice

5. Public Private Partnerships

In the Public-Private Partnership Programme (PPP), the GTZ on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) supports joint projects of German enterprises (private partners) and development cooperation organisations (public partners). The target enterprises are those planning or making a substantial and sustainable investment in developing countries. Measures that have a beneficial impact in the investment country above and beyond the actual corporate goal are eligible for

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promotion.

Development policy is increasingly seen as part of global structural policy, with politics, industry and society all joining forces. The private sector is becoming more important: the rise in worldwide transfers of capital and expertise is making the private sector an important partner in development cooperation. Thanks to their long-term commitments, private companies create jobs, impart new skills and experience to their staff, and thus boost economic prosperity on the ground. The Federal German Government realises that this generates interests common to both private industry and development cooperation, which can be harnessed to the mutual benefit of all parties involved. As part of a joint initiative the GTZ and the Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG) thus offer private-sector businesses and organisations the chance to join a public-private partnership on projects in developing countries and newly industrialising states.

5.1. Definition and Area of GTZ Intervention

Public-private partnerships are joint projects operated by German businesses and/or private-sector institutions on the one hand and development cooperation organisations on the other. The success of the partnership project is shared by all. Public-private partnerships aim to make the most of the opportunities offered by linking the increased commitment of German businesses in developing countries with the specific expertise of development cooperation organisations. They offer opportunities for businesses to invest under optimal conditions on the one hand, and opportunities for development cooperation to harness private industry as a locomotive for economic and social development in the interests of the countries involved on the other, as well as to provide back-up services as required. Cooperation between the private sector and development cooperation offers both sides the chance to achieve their respective goals better, more rapidly and more cost-effectively. The innovative concept of public private partnerships for development represents, therefore, several key advantages.

The GTZ and DEG offer support for PPP in the form of consultancy services and financial services in various fields. Basically any German company or associated company in a developing country can enter into a PPP with the DEG or the GTZ. The branch of the industry or the size of the company is not important. What is important is the will, and the financial, technical and staffing capability of a company to invest successfully in the medium and long-term in a developing country or newly industrialising state.

The GTZ and the DEG support PPP in the form of financial contributions and consultancy services in the following fields:

- Training and upgrading (in-company and inter-company training and upgrading, integrating new training and upgrading courses in the syllabus of local schools)
- Environmental technology and management (co-financing of pilot plants, recycling plants, integrating innovative environmental solutions for businesses into regional concepts)
- Health/ safety at work (introduction of company health insurance schemes, regional medical care solutions)
- Manufacturing and trade (upgrading producers in agriculture or in small and medium-sized businesses, strengthening local structures for producers, modifying products and production to bring them into line with local conditions)
- Certification (upgrading local certification bodies to bring them into line with European or international standards)
- Business cooperation (preparing investments, sector and country-specific information, support in the selection of cooperation partners and in negotiations)
- Infrastructure (assistance in the privatisation of public utilities e.g. water, sewage, waste).

5.2. Conditions for PPP

There are a few criteria, which must be met for a PPP. These serve both to ensure the success of the

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venture and to provide a basis for the decision to go ahead with the project:

- The inputs of the partners must complement one another so that the project offers an efficient solution from the point of view of both partners. Each partner works in the field of its own expertise and core competencies. The business remains primarily committed to ensuring that its investment pays off, while the state bodies focus on the development-policy impact of the project.
- The DEG and the GTZ do not deliver services to PPP projects that private businesses are obliged to provide themselves, either because of legal requirements or because these services are within the core competencies of the business.
- The company's own input must be substantial.
- PPPs must be compatible with the development-policy goals of the German Government.

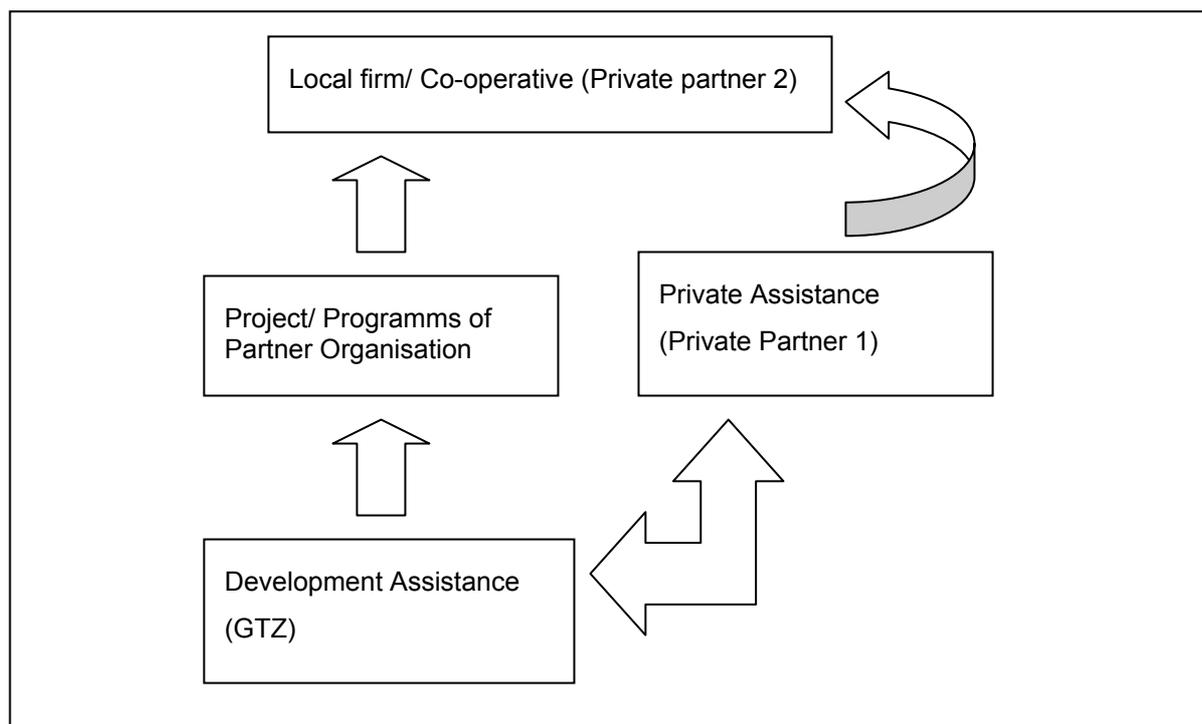
The project can basically be implemented by the DEG, the GTZ or the business itself. The inputs of the DEG and the GTZ can take the form of purely financial contributions or may involve the provision of services. Public services worth up to EUR 125,000 per annum may be contributed to a PPP, and a higher sum may be available for projects of outstanding development-policy relevance. The total public contribution will be decided on a project-to-project basis. Public services are to be complemented by a more or less equal input on the part of the private-sector company. Experience indicates that most PPP projects are of short duration, the majority are completed within a year.

6. Private-Private Partnerships

Today, the idea of development assistance agencies has changed towards new types of development partnerships, e.g. public-private partnerships (PPP). The success of PPP projects supported by GTZ has shown the interest of private firms in development cooperation. Given this positive experience another model of cooperation may hold great promise as well: “Private-Private Partnerships”. The idea of private-private partnerships is based on the observations that private actors in the German economy (companies, foundations or associations) are often willing to assist professional colleagues in developing countries by granting some support, e.g. used equipment or even know-how. Development projects in agribusiness could make use of this ethically motivated cooperativeness. The idea is that development projects provide links to German firms who may be able to solve practical problems of fellow entrepreneurs of the same economic sector in a poor country, at low cost to them. Equipment that is already written off, an excess in stocks, material that is available at low opportunity cost- these are physical resources that can make a great difference for smallholders trying to set up a business venture. Getting access to these resources may provide a way out of a fundamental resource constraint and strengthen the economic viability and sustainability of small-scale investment. Institutionally, this model fits into the conceptual framework of development cooperation. Figure 6 illustrates the principle of private-private partnerships.

Figure 6: Private-Private Partnerships in development cooperation

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A GTZ-supported development programme co-operates with a private cooperative or a small agribusiness firm in a developing country. The task of the development agency is to identify a private partner 1 in Germany, who is willing and able to lend a helping hand to that local firm, private partner 2. Contrary to the public-private partnership, the main relationship is created between the two firms, while the role of the development agency is restricted to the initial contact. This private-private partnership is indicated by the curved arrow (see figure 6 above). Although it is not directly a part of the development project, it contributes to the same development goals. So far, GTZ participation in this type of partnerships is still exceptional, although there are successful cases.

The private partner (2) benefits from the net transfer of resources. The local firm/cooperative continues its work at a better quality, efficiency or even expand its activities thus multiplying the development effects. Despite the obvious win-win situation of private-private partnerships, there are a number of risks involved:

- misusing development cooperation as a PR-Gag or to establish unknown goods in a market
- Danger to distort local market outlets by granting goods and thus, to create negative incentives among local partners.
- Danger to destroy first efforts in the partner country not to rely/ to count on external resources, but to mobilise own resources for the self-help process.
- Positive Impacts could be:
 - Positive image of German development cooperation
 - Giving socially motivated entrepreneurs in Germany a monitored possibility to engage in development cooperation
 - If successful, a private-private partnership can lead to a potential PPP investment
 - Creating a broader public awareness of development cooperation in Germany.

7. Links and Literature

7.1. Links

- ACC (Agri Chain Competence)

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www.kc-acc.org/ and www.agrichaincompetence.org

The aim of this public-private organization, situated at the University of Wageningen (The Netherlands) is to strengthen agri supply chains in order to improve the supply of safe and high quality food to the consumer. The knowledge infrastructure facilitates chain and network development and supports projects with seminars, trainings and instruments such as guidelines, best practices and a toolkit.

- Global Food Network

www.globalfoodnetwork.org

Initiative financed by the EU to improve the international cooperation in research on food safety and food quality between 12 countries from EU, ACP and MERCOSUR, coordinated by the Agri Chain Competence Centre (The Netherlands).

- DACUM (Developing a curriculum)

<http://www.dacum.org/>

This website explains the DACUM process, i.e. a participatory job task analysis. A similar approach is used in the tool on standard and [training development](#)

- Theory of Value Chains

<http://www.netmba.com/strategy/value-chain/>

Internet presentation about Value Chains provided by the Net Business Knowledge/ Internet Centre of Management and Business Administration (ICMBA).

- UNIDO

<http://www.unido.org/>

The Industrial Development Report 2002/2003, as well as a number of papers about vertical economic integration, globalization and value chains, can be downloaded from this website (some of the papers are free of charge).

- GTZ Agricultural Trade

<http://www.gtz.de/agrarhandel/>

This website is about the chances of global trade for transformations countries and least Developed Countries (LDCs). The project aims at the promotion and extension of institutions- related to agricultural trade to maximise the benefits for the population in developing countries.

- FAO

<http://www.fao.org/ag/magazine/0304sp1.htm>

This website of the FAO provides information about a framework for Good Agricultural Practices (GAP) to optimise food chains. The focus of the food chain approach is on the on-farm stages, which are mostly located in developing countries.

- International Food and Agribusiness Management Association (IFAMA)

<http://www.ifama.org/>

The IFAMA is a worldwide association of agribusiness leaders - managers of public, private, and cooperative commercial organizations, policy-makers, academics, and others - who are concerned that value-added food and fibre chains should be economically efficient, responsive to nutrition and other

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human needs, and global and sustainable.

- The International Trade Center

<http://www.intracen.org/index.htm>

The International Trade Centre in Geneva offers a set of online services, such as trade statistics, market information services, trade promotion activities and information, including WTO-related information. However, some of the data and services can only be accessed by paying a subscription fee.

7.2. Theory / Concepts

GEREFFI, G. (1999): A commodity chains framework for analyzing Global Industries, Duke University, Durham, www.ids.ac.uk/ids/global/pdfs/gereffi.pdf, 9 p. (letzter Zugriff 09.04.05). This Paper gives a short introduction to the theoretical base of global commodity chains and how they changed in the last decades.

HUMPHREY, J., SCHMITZ, H. (2002): Developing Country Firms in the World Economy: Governance and Upgrading in Global Value Chains, INEF Report 61, Duisburg, <http://www.ids.ac.uk/ids/global/vwpap.html>, 37 p. (letzter Zugriff 09.04.05). In this paper, the concept of governance in the context of global value chains is explained. The authors discuss the importance of chain governance for the developing countries. This report expands the arguments of the authors published before (s. Humphrey/Schmitz, 2000): How does insertion in global value chains affect upgrading in industrial clusters).

KAPLINSKY, R., MORRIS, M. (2001): A Handbook for Value Chain Research, IDCR, <http://www.ids.ac.uk/ids/global/pdfs/VchNov01.pdf>, 113 p. (letzter Zugriff 09.04.05). This handbook covers all value chain analysis issues and serves as a practical manual for anyone interested in value chains analysis.

MESSNER, D. (2002): The Concept of the World Economic Triangle”: Global Governance Patterns and Options for Regions, IDS Working Paper 173, Brighton, Sussex, 99 p. This Study examines the interaction between industrial locations, global value chains and global networks dedicated to standard setting. The author developed the concept of the “world economic triangle”, where actors, governance and rule systems determining the scopes of action open to regions in the global economy.

MESSNER, D., MEYER-STAMER, J. (2000): Governance and Networks. Tools to study the Dynamics of Clusters and Global Value Chains, IDS/ INEF, Duisburg, 35 p. The authors are explaining the new organization and constraints of global governance in value chains or networks. Furthermore they give practical advice for the field research of network governance.

STAMM, A. (2003): Konzeptstudie Wertschöpfungsketten entwicklungspolitisch gestalten. Anforderungen an Handelspolitik und Wirtschaftsförderung, DIE, 37 p. This study highlights the importance of commodity chain approaches for the development cooperation.

7.3. Agri-Supply Chains

DIEDEREN, P.J.M., DONKERS, H.W.J., JONKERS, H.L. (2001): The Knowledge Domain of Chain and Network Studies, KLICT, Hertogenbosch, 8 p. In this paper, knowledge domains of production chains are examined. The authors stated that a production chain consists of actors linked together by institutional arrangements (e.g. markets, mutual agreements, contracts), which are embedded in an institutional environment (e.g. laws, regulations, customs) of the local society or/ and transnational combination of societies.

UNIDO (2002): Innovation and learning in global value chains, http://www.unido.org/userfiles/hartmany/06IDR_ch6-062002.pdf, 12 p. (letzter Zugriff 09.04.05). In chapter 6 of the Industrial Development Report 2002/2003, it is described how knowledge and information flows could upgrade global value chains. The construction of global value chains is portrayed using concrete diagrams and graphs e.g. from the timber industry.

BOSELIE, D. (2002): TOPS Supply Chain Project, ACC, www.kc-acc.org/frame.html (Publications→ACC)

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Chain Projects→ Thailand), 28 p. (letzter Zugriff 09.04.05). This study describes the improvement of the supply chains of perishables in terms of efficiency, continuity and quality. Instruments for the optimization process are a new distribution centre, a supplier programme, a quality assurance and certification scheme.

DOLAN, C., HUMPHREY, J., HARRIS-PASCAL, C. (1999): Horticulture Commodity Chains: The Impact of the UK market on the African fresh vegetable industry, IDS Working Papers - 96, <http://server.ntd.co.uk/ids/bookshop/details.asp?id=505>, 39 p. (letzter Zugriff 09.04.05). In this Working Paper, the role of supermarkets as chain drivers is outlined giving the example of the African fresh vegetable sector.

ENGELBART, F. (2001): Business Case Description Plantania, Arnheim, www.kc-acc.org/frame.html (Publications→ACC Chain Projects→ Plantania), 28 p. (letzter Zugriff 09.04.05). This paper describes the project on implementation of an international value added and market oriented concept for potted plants. The instruments are the improvement of the information flow and the setting up of a chain quality assurance system.

GIBBON, P. (2001): Agro-commodity chains. An Introduction, IDS Bulletin, p. 60-68, 8 p. This paper sums up the development of agro-commodity chains from the 1980s to the 1990s and the future prospects for the new millennium.

LARSEN, M.N. (2003): Quality standard-setting in the global cotton chain and cotton sector reforms in Sub-Saharan Africa, IIS Working Paper 03.7, 39 p, http://www.cdr.dk/working_papers/default.htm, (letzter Zugriff 09.04.05)

This paper describes the quality standard setting exemplary for the African cotton sector focussing on liberalisation and restructuring.

REARDON, T., TIMMER, C.P., BARRET, C.B., BERDEGUE, J. (2003): The Rise of Supermarkets in Africa, Asia and Latin America, American Journal of Agricultural Economics, forthcoming Dec. 2003, 17 p. This article points out the increasing importance of multi-national supermarkets as drivers of agri-supply chains in developing countries. The implementation of private and public standards in order to assure consistent food quality contributes to an upgrading of the agri-supply chain.

TRIENEKENS, J.H., ZUURBIER, P.J.P. (2000): Chain Management in Agribusiness and the Food Industry, Wageningen.

VAN ROEKEL, J., KOPICKI, R., BROEKMANS, C. J. E., BOSELIE, D.M. (O.J.): Building Agri Supply Chains: Issues and Guidelines, download at: <http://www.kc-acc.org/frame.html>, (Publications→Guideline), 18 p. (letzter Zugriff 09.04.05) This paper of the Agri Chain Competence Centre describes in brief the key issues of agri-supply chains and describes guidelines for chain development.

ZIGGERS, G.W. (1998): A Multi-Country Study of vertical coordination in the Hog/ Pork Industry, Wageningen Agricultural University. <http://www.kc-acc.org/frame.html> (Publications→ACC Chain Projects→ Decanethus), 52 p. (letzter Zugriff 09.04.05)

This international comparative study on the Pork Industry was conducted in Denmark, Canada, The Netherlands and the United States (=DECANETHUS). It provides information to support the industry in their strategic choices related to vertical coordination.

MEYER-STAMER, J. (1998): Clustering, Systemic Competitiveness and Commodity Chains: How Firms, Business Associations and Government in Santa Catarina/ Brazil Respond to Globalization, DIE, 59 p. This paper analyses how developing country industries compete in the new globalized economy. The author shows exemplary how the ceramic industry and the textile industry in a Brazilian region have been upgraded through the concept of systemic competitiveness.

QUADROS, R. (2002): Global Quality Standards, Chain Governance and the technological upgrading of Brazilian Auto-Components Producers, IDS Working Paper 156, <http://server.ntd.co.uk/ids/bookshop/details.asp?id=687>, 37 p. (letzter Zugriff 09.04.05)

This paper investigates whether and how the adoption of global quality standards changes inter-firm relationships and enhances the upgrading prospects of local producers in developing countries. The research on the Brazilian auto-components producers came to the conclusion that quality standards have

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not improved the weak ties between transnational assemblers and Brazilian-owned suppliers.

7.4. Service Provision and Development in Agricultural Value Chains

All tools are available under www.gtz.de/agriservice

GTZ (1999): Commercialisation and privatisation of services for rural development.

GTZ, DSE/ZEL (2001): Funding development-oriented agricultural research and extension. Proceedings of a workshop, Feldafing, Germany. (CD available through Sector Project “Knowledge Systems in Rural Areas, GTZ, Eschborn)

GTZ (2002): Focus on funding. Newsletter # 7, Platform on Rural Services, GTZ. www.gtz.de/agriservice

GTZ (2002): Agribusiness and development. Newsletter # 8/9, Sector Project Knowledge Systems in Rural Areas, GTZ. www.gtz.de/agriservice

GTZ (2003): Guide to rural economic and enterprise development (REED). Working paper edition 1.0. GTZ, Eschborn, 85 p., plus annex, www.gtz.de/agro-based-development/

GTZ (2004): Knowledge management in value chains. Newsletter # 11, Sector Project Knowledge Systems in Rural Areas, GTZ. www.gtz.de/agriservice

Huppert, W.; Urban, K. (1998): Analysing Service Provision. Schriftenreihe der GTZ, # 263, Eschborn; 103 p.

The Neuchatel Group (2002): Common framework on financing agricultural and rural extension. www.neuchatelinitiative.net