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So what can M3Os, governments, and donors do to encourage private for profit businesses to build and suptain inclusive value chains?

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## Commercial and Inclusive Value Chains

Doing good and doing well

Edited by Malcolm Harper, John Belt and Rajeev Roy













#### Context

In spite of the current wave of globalization, the majority of the world's people remain poor, excluded from economic development

## Core message

Disadvantaged smallholders and other poor people can be included in modern integrated value chains, which are profitable for them, for the value chain leaders, and for all the other processors and traders involved

## **Donor-free & CSR-free**

Inclusion without subsidy, without donor or government aid, and without appeal to 'corporate social responsibility': it is simply good business



#### Cases

The book includes 15 cases on profitable and inclusive value chains from different countries including Tanzania, Somaliland, India, Cambodia, Peru



## Value chain concept

The goods covered are food stuffs and other products that are transformed through a value chain. Each case includes a detailed 'map' of the value chain, showing how much value is added at each stage



## PPI method

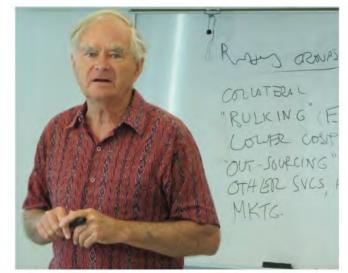
Each case also includes an assessment of the benefit to the small producers or other disadvantaged group who are members of the chains



## Audience of the book

Managers and consultants who work in value chain development, staff of NGOs and donor agencies, and researchers and post-graduate students in business schools and in departments of economics and development studies





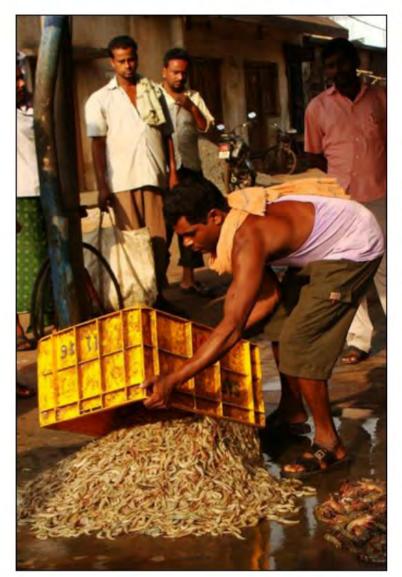
Authors
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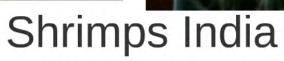


## Our inspiration for the book





















Banana beer Tanzania



## Some conclusions from the book

Poor people as best partners from a commercial point of view

They can perform whatever functions are necessary, to higher quality standards, or more reliably, or less expensively, than any other suppliers, and it makes good business sense to work with them, and to pay them more than they could earn elsewhere, so that they will do their best to continue



## Driven by genuine business interests

The businesses in our book do not include poor people because they want to portray themselves as 'socially responsible': their aim is to build business and make money, inclusiveness driven by business logic and market forces



There are many features that explain the success of inclusive value chains, and there is certainly no common model to which they all conform. An attempt:

- built on the basis of local circumstances, not according to any particular 'log-frame' or other development or policy fashion
- based on familiar activities, or small modifications of such activities, that do not require training
- access to alternative markets of comparable value to minimizes risk of monopoly and exploitation; e.g. the required assets are not specific to the particular business



## **Example of cases:**

- The Khat value chain
- GM cotton seed producers, South Rajasthan, India
- Private dairy company, Karnataka, India
- Green beans Senegal
- Cashew nut factory workers, Odisha, India
- Small-scale palm oil, Peru
- For more: read the book



#### Let's not be naive however...

We do not suggest that the market can do everything, or that laissez faire policies will in time enable even the poorest producers to achieve decent livelihoods through membership of inclusive value chains.

In spite of many positive experiences, the overall global trends are clear, and are not encouraging. Growth is often linked to increasing inequality, high growth does not automatically lead to decreases in the numbers of poor people or to improvements in the living standards of the poor, particularly children



Lessons for donors, development agencies and governments



## So what can NGOs, governments, and donors do to encourage private for profit businesses to build and sustain inclusive value chains?

 Direct subsidies are not likely to be the answer; they tend either to promote value chains that are fundamentally unviable without subsidy, and that therefore do not survive its withdrawal, or to go to businesses that would have built the same value chains without the subsidy



 There is a basic mismatch between the donor world, with its focus on transparency, on planning, accountability, on paperwork and on measurable social impact, and the business world, which focuses on getting things done, on seizing opportunities and on profit, and this divide is not easy to bridge



• It may be more productive for donors and governments, and NGOs, to concentrate on more obviously 'social' institutions, on education, health, policies and the rule of law. In many poorer countries, these basic functions are woefully inadequate, and they should surely not be neglected in favour of much more difficult attempts to partner with private businesses



If commercial enterprises and their value chains are to be assisted, it
may be more productive to support them with the instrument they are
used to, which is investment, not grants. Investing, through venture
capital or soft (but still serious) loans, requires the investee
businesses to ensure that their business models will generate the
necessary repayments, and repaid investments can of course be
reused to support other value chains



 Donors and NGOs should also employ people with business skills and experience and should, like the business managers in our case studies, aim to build on the strengths of the poor, rather than directly addressing their weaknesses



 They (and reseachers!) should also learn from inclusive value chains that work without subsidies, such as those that are described in this book





# Thank you J.Belt@kit.nl

http://developmentbookshop.com/commercial-and-inclusive-value-chains

