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# Making Value Chains Work for the Poor

## Strengthening Global Value Chains – Role and Experiences of the Donor Agency SECO



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# Making Value Chains Work for the Poor

## Overview:

- Economic Development Cooperation
- Globalization: Opportunities and Challenges
- SECOs Value Chain Approach
- Examples
- Experiences
- Impact Measurement
- Future Challenges

## General Objective

Competence Center for

- Sustainable Economic Development in Developing and Transition Countries
- Sustainable Integration of Partner Countries into the Global Economy

## Objectives in the Trade and Clean Technology Cooperation

- Policy support on trade issues
- Support to trade improvement and trade promotion
- Improve market access to European markets



## In-house competence

- Trade negotiations Switzerland (WTO and bilateral)
- Labour conditions Switzerland and focal point to ILO
- Swiss focal point for OECD guidelines on TNC
- Close contacts to **Swiss industry, retailers, traders** (Switzerland has a strong position in commodity trade e.g.)
- Good relationship to **NGOs, research institutes, media** etc.



# Globalisation: Opportunities and Challenges

## Globalization

- Internationalization of value chains for goods and services; international division of labour
- Long-term trend of reduced tariffs (WTO and bilateral), TBT and SPS are becoming more important
- Emerging markets, e.g. Mexico, China, India, South Africa become more and more important in int. value chains – main markets for poorer dev. countries
- Increasing pressure by voluntary standards (quality, environmental and social) of large importers, retailers – private!
- Mainstream markets are sensitized; great opportunity for niche markets
- Dev. countries have an own interest to meet environmental and social standards (reduce hazards; safer employment etc.).
- Many – particularly smaller – companies in poorer countries need support on this path: They face difficult regulatory environments, weak institutions, incomplete information



# SECO's Value Chain Approach in Trade Promotion

## SEQUENTIAL APPROACH : GLOBAL SUPPLY CHAIN SUPPORT



I EXPORT PROMOTION	II TRADE POLICY	III IMPORT PROMOTION
<ul style="list-style-type: none"> <li>• COMMODITIES: MULTISTAKEHOLDER ROUNDTABLES FOR SUSTAINABLE COMMODITIES</li> <li>• INNOVATIVE EXPORT PRODUCTS AND SERVICES (Nichemarketproducts FAIRTRADE, BIODIVERSITY, ORGANIC etc.)</li> <li>• SUPPORT of ESAs</li> <li>• CONFORMITY ASSESSMENTS</li> <li>• CLEANER PRODUCTION and CORE LABOUR STANDARDS</li> </ul>	<ul style="list-style-type: none"> <li>• SECTORAL POLICIES (SERVICES, COMPETITION, TRIPS, GOVERNMENT PROCUREMENT etc.)</li> <li>• IMPLEMENTATION, SUPPORT for MEA (KYOTO, BIODIVERSITY)</li> <li>• STANDARDISATION BODIES, LABORATORIES</li> <li>• WTO ACCESSION SUPPORT and IMPLEMENTATION</li> </ul>	<ul style="list-style-type: none"> <li>• GSP</li> <li>• SIPPO</li> <li>• LABELS</li> </ul>



## SECO's Value Chain Approach in Trade Promotion

### **SECO's approach: strengthening of services and links along the value chain:**

- Sustainable commodity sourcing
- Transformation of products
- Enabling trade environment /trade policy
- Market access to Switzerland and OECD markets
  
- Strengthening main stream as well as niche markets
- Strengthening institutional and regulatory framework
- Strengthening selected value chains



## Sustainable Commodity Sourcing

- **Multistakeholder processes for minimal environmental and social standards in commodities:** Tropical timber (FSC); soy (RTRS); coffee (4C); cotton (better cotton initiative); process facilitation
- **Biodiversity:** Biotrade Facilitation Program - developing export products out of local genetic resources; concept and tools (ecosystem management plans, ABS etc.)
- **Organic agricultural production:** Establishment of local certification bodies, marketing support and linkages
- **Fair Trade:** Support to label development, public awareness raising

**Trend: Towards two approaches: niche (organic, fair trade) and mainstream market**



## Transformation of Products

- **Technical product quality, export design, export administration, packaging etc.:** Export support organisations
- **Promotion of environmental and social standards:** Cleaner Production Centers offer information, assessment, trainings for industry and local consultants in Eco-Efficiency and Corporate Social Responsibility (ILO Core Labor Standards);
- **Standards and conformity assessment projects:** reduce transaction costs, establish qualified local service providers such as laboratories
- **Access to finance (Investment promotion)**

**Trend: economical & environmental & social sustainability;**  
establishment and strengthening of local service providers and respective regulatory framework are important



## Enabling Trade Environment – Trade Policy

- WTO accession and implementation support
- Trade Information Systems
- Make use of trade mechanism in Multilateral Environmental Agreements: e.g. Convention on Biodiversity – ABS and GI, Traditional Knowledge; UNFCCC/Kyoto Protocol – CDM mechanism
- Important role of donors also in related areas: Financial markets; property rights; investment environment etc.

**Trend: Doha suspended – towards bilateral trade agreements topics will remain the same**



## Market Access

- Generalized System of Preferences (GSP): Tariff reduction for Dev. Countries and Zero Tariff for LDC
- Swiss Import Promotion Program (SIPPO): specialized information access; removing cultural, language and distance barriers between potential trade partners
- Support to development and promotion of labels
- Qualified B2B e-trade through local training and quality assessment

**Trend: Importance of tariffs barriers shrinks as compared to TBTs and SPS**

## Example: Multistakeholder dialogue for Coffee

- Bringing together of the main partners along the value chain: Producer groups, traders, industry, NGOs, Unions
- Establishment of a process structure with an independent facilitator
- Common definition of quality, social and environmental criterias
- Donor Agency as provider of a neutral platform and technical support
- Design of pilot projects during pilot phase
- Regular exchange of information
- Establishment of a regular structure supported by the parties

## Example: ABS Biodiversity Products

- Checking of interest with the market
- Selection a bio diversity product with market potential
- Support of local structures in order to be able to establish ABS (Access and Benefit) - system
- Strengthening of governments, communities in order to be able to handle ABS
- Strengthen additional services like GI, TK etc.
- Support marketable product development
- Support local structures for ABS



## Experiences and lessons

- Demand oriented; less supply driven
- Selection of areas with products with high market potential is crucial
- Close links with market partners from the private sector
- Professional support for local institutions in order to establish local know how
- Strengthening of local the target group
- Establish linkages between local target group and local industry (processing)
- Coordination with other donors and agents (NGOs, private sector etc.)



## Impact Measurement

- Fair Trade – long term analysis
- Organic, Eco-Efficiency etc.: Definition of desired impacts and indicators
- Project leader and beneficiaries have to follow-up on selected impact indicators
- Independently, SECO monitors the impact evaluation done by the project (leader and beneficiaries) with external experts
- Continuous improvement via regular exchanges and knowledge management



## Future Challenges

- Environmental aspects: Pressure towards compulsory standards and stronger emission limits
- Commodity hunger by emerging markets – effects of higher commodity /energy/transport prices on world trade?
- Land use change for food and energy supply (tropical forests versus soy, bio fuels?)
- How to make standards/certification affordable to SMEs and small holders? Confusing number of labels and standards: Is streamlining possible? (e.g. ISO 26000)
- How to gradually improve the environmental and the social situation in the South? (cutting trade relations doesn't help the poor)
- Improve business environment in the south! (informal sector)
- Better and more precise understanding of poverty reduction potential through application of standards
- Competition between LDCs and emerging markets



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Thank you for your attention!