# Viable value chains and pro-poor development

SUMMARY

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Important goals in strategy and policy targeting smallholder-based commodity systems have been to create a certain level of stability in the market and to reduce to vulnerability of small producers or processors. In other words, the aim has been to construct viable value chains, capable to support livelihood strategies and to cope with external developments or pressures. In this paper we argue that this viability is related to (i) the capability to configure value chains as platforms for concerted action addressing issues outside the boundaries of individual production units, and (ii) the capacity to use the wide range of performance criteria as a starting point for building innovation networks embedded in local social structures tailoring technological change to specific conditions.

### Concerted action

At the intervention level it should be noted that different partners utilise the value chain approach in different areas of intervention. Governmental development support includes the promotion of an enabling environment (both at international and national levels), delivery of support services as well as support for better inter-firm cooperation. Development organisations and private sector companies appear to focus particularly on inter-firm cooperation and firm level upgrading. However, their orientation and interests can be quite different in doing so. On the whole the interventions of the various partners are fairly complementary. The effectiveness of supply chain interventions may benefit if more coordination between the various players takes place.

International support organisations and bilateral donors may wish to familiarise themselves with prevailing patterns of pursuing regulatory functions in a market-economic environment before getting involved in supply chain governance programmes and projects. Public-private partnerships or public sector capacity building in implementing market regulatory functions are not to be viewed as defined approaches towards introducing improved supply chain governance systems. Identification of the main driving forces behind the prevailing market regulatory functions and studying existing patterns of public sector roles may hold the key to determining the most effective approach to public sector involvement in governing certain aspects of agri-food supply chain performance and developments.

## Innovation

The paper suggest that some form of coordinated innovation, in which both market opportunities and institutional arrangements are integrated, may be needed to enhance the innovative capacities of chain actors and surrounding organisations. Also, strategic policy, both in the public and private spheres, is needed to relate more radical technological innovation to the processes of incremental change and adaptation usually attached to tangible applications in business. This opens opportunities for relating commercially grounded arrangements in value chains and markets to the institutionalised arrangements in innovation networks. Installing feed back mechanisms and facilitating interactions appears to be more important than focusing on the organisational forms of technological innovation.

Building such a collaborative model, instead of relying solely on economic efficiencies and standardized practices, requires purposive and strategic interventions and investments by chain actors in alliance with other players. Obviously, there is no blue print for this, but three topical terrains for arranging technological change in value chains differently are suggested:

1. a focus on interactions in a nation or region-based evolving innovation system clustering various functions and activities;
2. the conception of users of technology as buyers of technological innovations in local markets at the lower end of the economic pyramid, and:
3. the value of embedding performance improvement in a process of reengineering existing institutional structures rather than constructing an agri-food chains based on ideal conditions.

## Policy implications

Most of the literature studies already provide implications for policy support for establishing supply chain integration:

1. giving access of smallholders to supply chains by reducing entry costs and risks by (micro-)financing mechanisms
2. establishing legal and institutional frameworks that enable creating value chain governance structures
3. encouraging setting quality standards on voluntary basis to create market differentiation
4. providing an institutional learning environment where education, and research and development go hand-in-hand.

Many of these activities are likely based on cooperation between public actors coming from different institutional backgrounds (trade, agriculture, research, education) and public and private partnerships, if possible by non governmental organisations. Maybe this is becoming the main challenge: creating new institutional arrangements on the level of commodity systems and value chains.