



Investing in Sustainable Development



UNCTAD World Investment Forum 2014

High Level Roundtable: Making Value Chains Work for the Poor

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Statement by
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President Halonen,
Minister Ngoa,
Minister Sichinga,

Excellencies,
Distinguished Panelists,
Ladies and Gentlemen,

It is a pleasure to welcome you to this High Level Round Table on "Making Value Chains Work for the Poor".

The session provides a platform for policymakers, international experts and practitioners to discuss how best to link small enterprises in developing countries to global and regional producers, buyers and distribution chains. The sum of these linkages is often referred to as a regional or global value chain.

Global value chains can have important positive effects on economic growth, local employment and learning. In UNCTAD, we would also like to ensure that such value chains are *inclusive* and *sustainable*. For instance: that the benefits

of value chains also reach the poor and the marginalized; that they translate into more opportunities for women, and that they help to expand labour and environmental standards to second and third tier suppliers.

UNCTAD's 2013 *World Investment Report* showed how developing countries are increasingly participating in global value chains (GVCs). In fact, the developing countries share in global value added trade went from 20 percent in 1990 to well over 40 percent today.

However, many developing countries, especially the poorest, still struggle to gain access to global or regional value chains. And even in those countries that are participating, the benefits and economic gains tend to be unequally distributed as poorer communities are often locked out.

To change this situation and make value chains more inclusive, we need to act together.

Active efforts on the part of governments, international organizations and transnational corporations can help support the participation of economically marginalized communities in global value chains. This can even create tangible benefits for large firms, such as reduced operating costs, increased product quality or access to new local supply and distribution channels. The questions we are discussing today are: what *levers* do policymakers and businesses have at their disposal to make value chains more inclusive. And which levers work best?

Value chain participation – of a country as a whole or of an economic group within a country – requires the prior build-up of a minimum level of productive capacity in order to step on the first rung of the chain development ladder. The key here is developing the capabilities of local enterprise and of the local workforce, and so that is where we have to look for the levers of inclusiveness.

The *World Investment Report 2013* suggests a number of areas for proactive enterprise development policies for value chain participation. May I suggest that we use them as a starting point in the discussion on how to support the participation of the poor in value chains? For example:

Linkages development. Supplier development programmes and training have been successful in integrating local producers into the global economy. Such programmes should be directed towards poorer communities.

Enterprise clustering. Stimulating and supporting the build-up of groups of micro and small firms around "poles" of production, perhaps around affiliates of large enterprises. Could such clusters be built in areas where development is most needed?

Business development services. A range of services can facilitate chains-related trade and investment, and generate spillover effects. Capacity-building facilities to help local firms meet technical standards could benefit marginalized groups in terms of education and training for example.

Entrepreneurship promotion. This tool in particular can be used to target youth, women or marginalized groups.

Access to finance for SMEs. Inclusive finance initiatives and programmes to increase access to finance for micro, small and medium-sized enterprises are fundamental mechanisms for supporting the development of domestic productive capacity and directing development efforts at the upstream end of value chains where they most directly benefit small producers and workers.

Targeted aid for trade. The *World Investment Report 2013* shows how the "entry point" of aid along value chains will determine who benefits most. The more upstream it takes place, the more it potentially benefits the poor.

Ladies and gentlemen,

Global Value Chains have helped firms in developing countries integrating to the global market. However, it is also fitting in the context of our meeting to point out that many operations in developing countries remain in the low value added links of the chain. And this is a challenge we need to address.

So, the aim of this round table is to distill insights on how to support a better participation of local enterprises in global value chains and thereby create opportunities for local businesses and the poor in developing countries.

Before I give the floor to Ms. Arancha González, Executive Director of the International Trade Centre, who will be the moderator of this roundtable, I wish to acknowledge and thank all the panelists from the private sector and civil society, and wish you all successful deliberations.

Thank you.