



# An analytical framework for Global Value Chain (GVC) analysis

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# What is a Global Value Chain?

- A GVC is the sequence activities that farms, firms and workers carry out to bring a product from its conception to its end use (and disposal or recycling)
- Includes activities such as design, production, processing, marketing, distribution and support to the final consumes



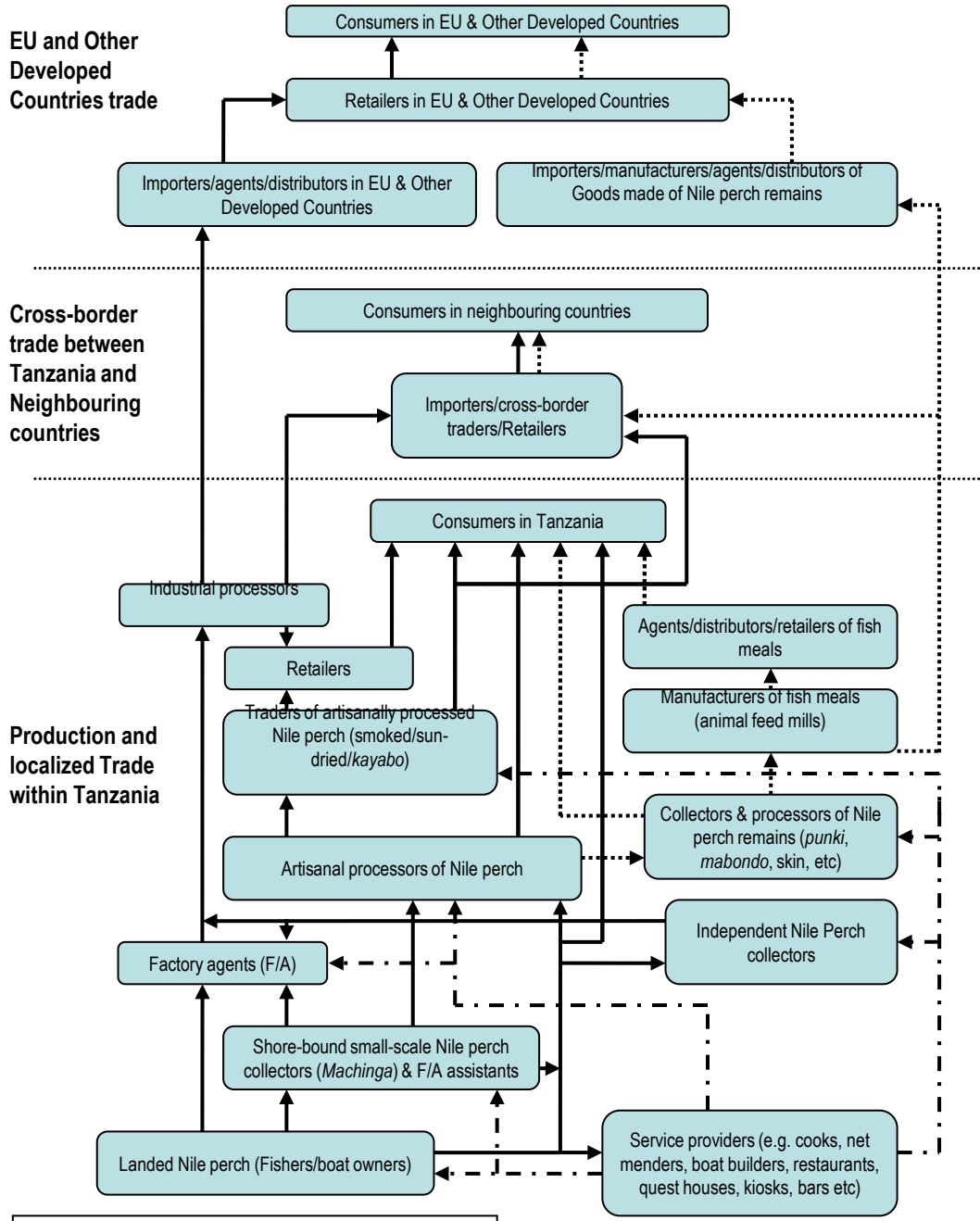
# GVC Analysis

- Analysis of:
  - Input-output structure
  - Governance
  - Institutional framework
  - Upgrading
- Focus on:
  - Changes in costs and benefits/rewards of participation
  - Risk and vulnerability for chain actors
  - Entry barriers
  - Conditions of participation (including standards) and possibilities for improving them
  - What local actors in developing countries can learn from their buyers



# Mapping the chain

- Delineating
  - Actors
  - Functions
  - Nodes
    - exchange and/or processing
  - Ownership boundaries, number of players, market share
  - Flows
    - Product
    - Inputs
    - Finance
  - Geographical configuration



**Legend**  
 Flow of Nile perch fish/fillets  
 Flow of Nile perch rejects, remains & other products  
 Flow of fishery related services at landing sites



# GVC governance

- Process of organizing activities with the purpose of achieving a certain functional division of labour along a value chain
  - Exercising governance is deciding who does what, when, how, under what conditions along the chain (or important segments of it)
  - Results in specific allocations of resources, distributions of gains, and specific terms of participation and of exclusion
- ‘Lead firms’
  - A group of firms in one or more functional positions along a value chain which are able to govern it (or ‘drive’ it)
  - They decide who does what along the chain, how, with what specifications and for what rewards



# Governance (cont)

- Not all GVCs are governed by powerful firms
- Governance can be direct or indirect
- Why is governance needed?
  - Need to give suppliers precise product specifications
  - Risk of supplier failure
  - Time-to-market, logistics
- Why does governance matter?
  - Market access for developing country actors
  - Access to knowledge and technology
  - Rewards are distributed unevenly along GVCs



# Other key concepts (cont)

- *Coordination*
  - is a relation between actors at any node in the value chain
  - Of different types:
    - *Vertical integration*
    - *Various forms of networks*
    - *Market*
  - What do we look at?
    - contracts
    - relationships
    - flow of information
    - technology and knowledge



# Upgrading

- *process upgrading*
  - achieving a more efficient transformation of inputs into outputs through the reorganization of productive activities;
- *product upgrading*
  - moving into more sophisticated products with increased unit value;
- *functional upgrading*
  - acquiring new functions (or abandoning old ones) that increase the skill content of activities;
- *inter-chain upgrading*
  - applying competences acquired in one function of a chain and using them in a different sector/chain.
- *other forms of ‘upgrading’*:
  - delivering larger volumes (even at lower quality), matching standards and certifications, delivering on logistics and lead times, getting paid better for the same product (i.e. fair trade).



# Standards and value chains

- Standards are one of the mechanisms shaping trade rules and flows
- Standards affect upgrading opportunities for developing countries
- What aspects of standards?
  - Impact on costs, benefits and risks of operating in GVCs
  - Impact on how the value chain is organized, entry barriers, number of actors, kinds of actors, volume and kind of operations
  - Impact on social, environmental and labour issues, small producers, MSMEs

*Institutional and economic frameworks (regulation, civil society influence, local/national politics, corporate strategies, etc) and socio-economic networks (e.g. service providers)*

Vertical linkage:  
contractual relationship and flows of products/services, information, inputs, and finance between nodes

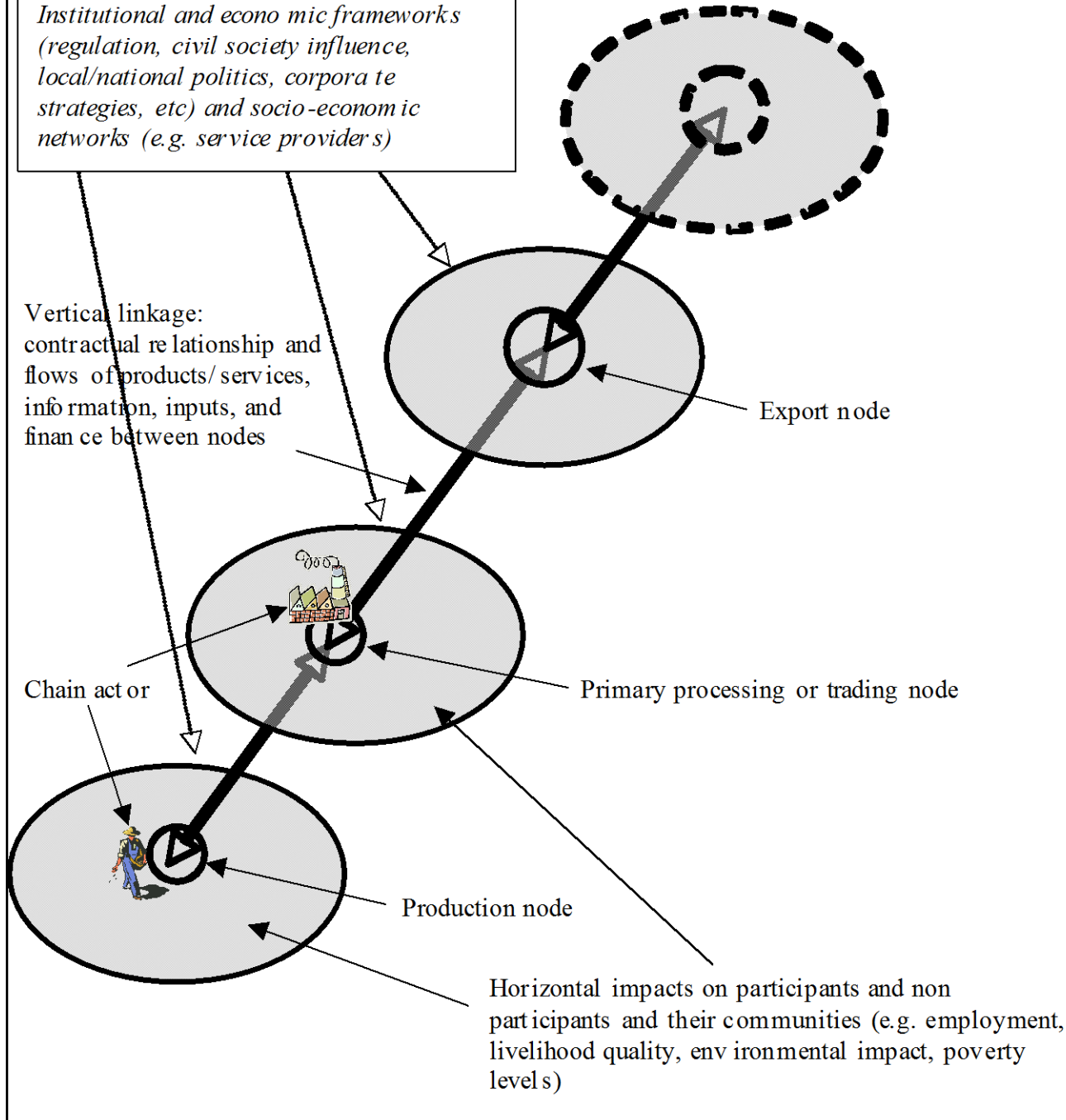
Chain actor

Export node

Primary processing or trading node

Production node

Horizontal impacts on participants and non participants and their communities (e.g. employment, livelihood quality, environmental impact, poverty levels)





# What horizontal impacts?

- **Poverty**
  - Income and resources
  - Livelihoods and employment
  - Vulnerability and risk
  - Inequality (intra and inter-community)
- **Environment**
  - Local impacts and management issues
  - Global impacts
- **Gender, labour conditions**



# What vertical impacts?

- Upgrading trajectories
- Technology transfer, learning, innovation
- Re-organization of value chain operations
- Profitability, volume of operations, risk
- New markets, market share
- Geographic location/relocation



# My role in SEAT

- Provide analytical and methodological support and guidance on
  - Vertical elements in GVC analysis
  - The interplay between standards, GVC governance and upgrading
  - The intrerplay between institutional frameworks and regulation (national, regional and international) and GVC governance and upgrading
- Provide a framework for integrating social, livelihood and environmental issues into GVC analysis