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**Discussion Forum on  
«Why Trade Matters in Development Strategies »**

**Geneva, 27-29 November 2013**

**Presentation**

By

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# The interface between trade and productive capacity

Why Trade Matters in Development Strategies



By: Anton Said, Chief, Export Strategy, ITC  
Date: November 28, 2013



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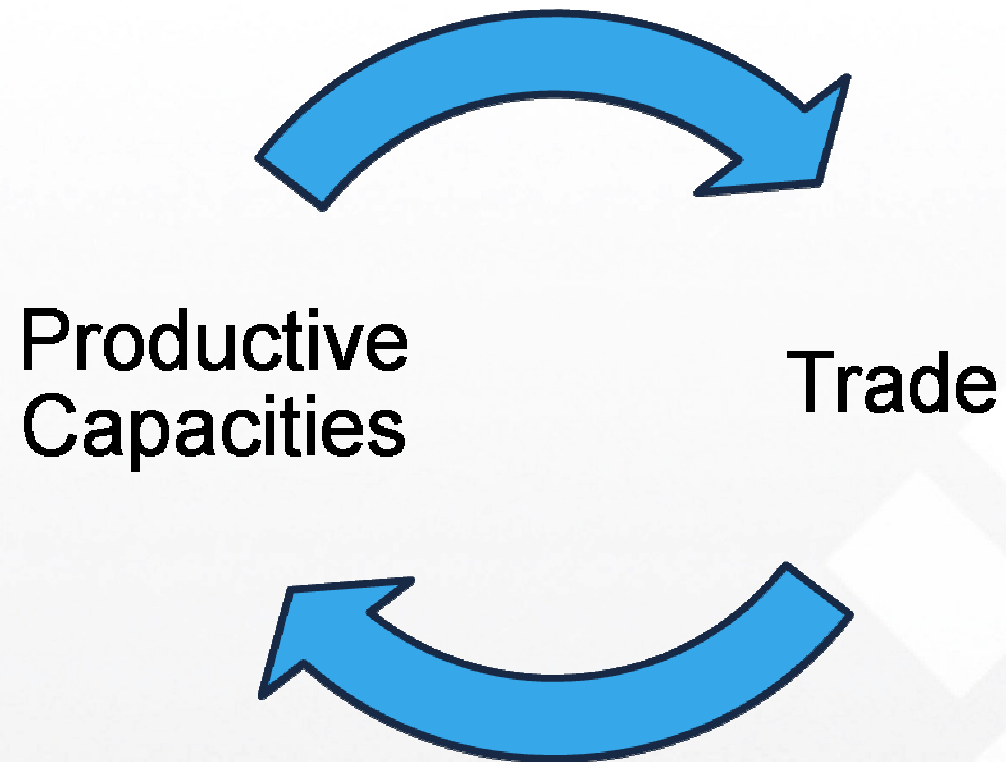


▶ **Productive capacities:**

*“the productive resources, entrepreneurial capabilities and production linkages which together determine the capacity of a country to produce goods and services”*

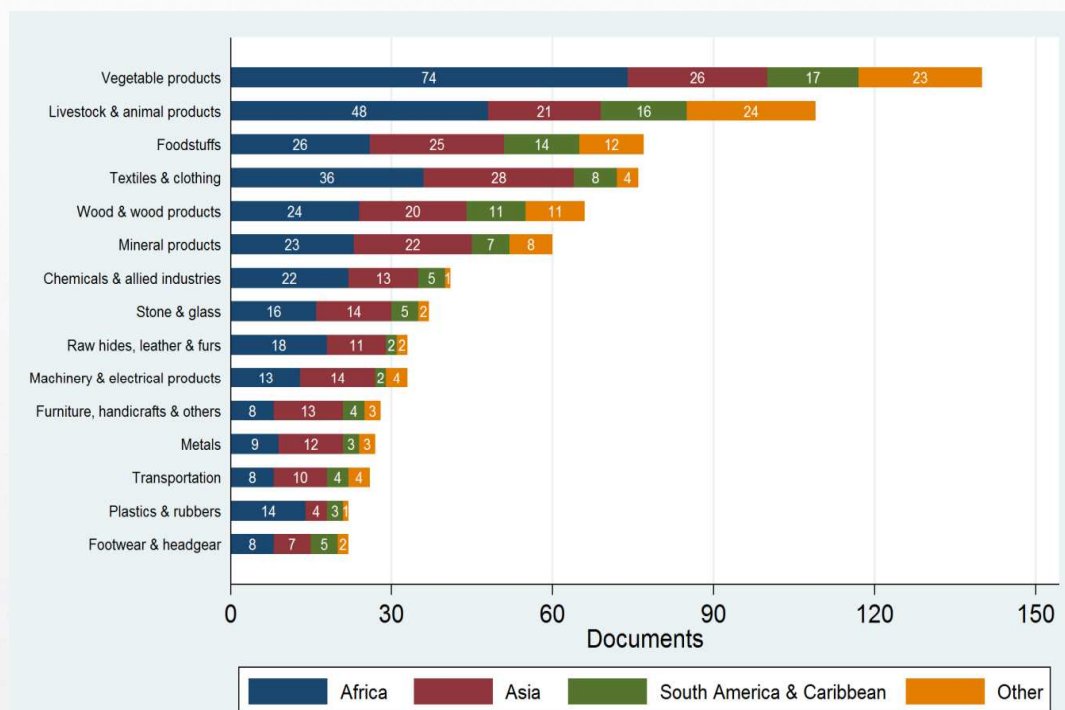
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## An inherent interdependency

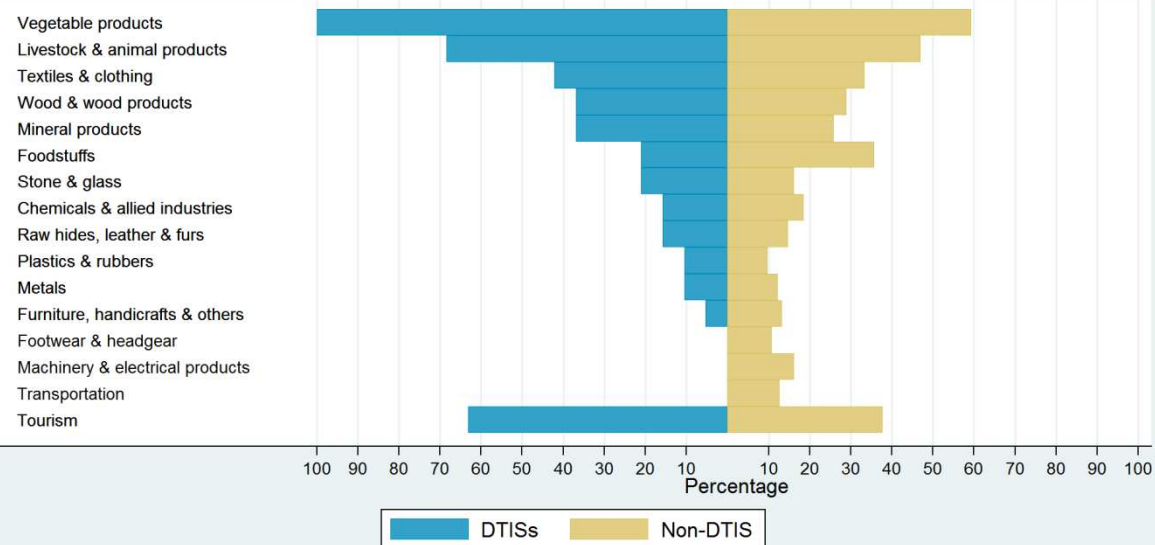
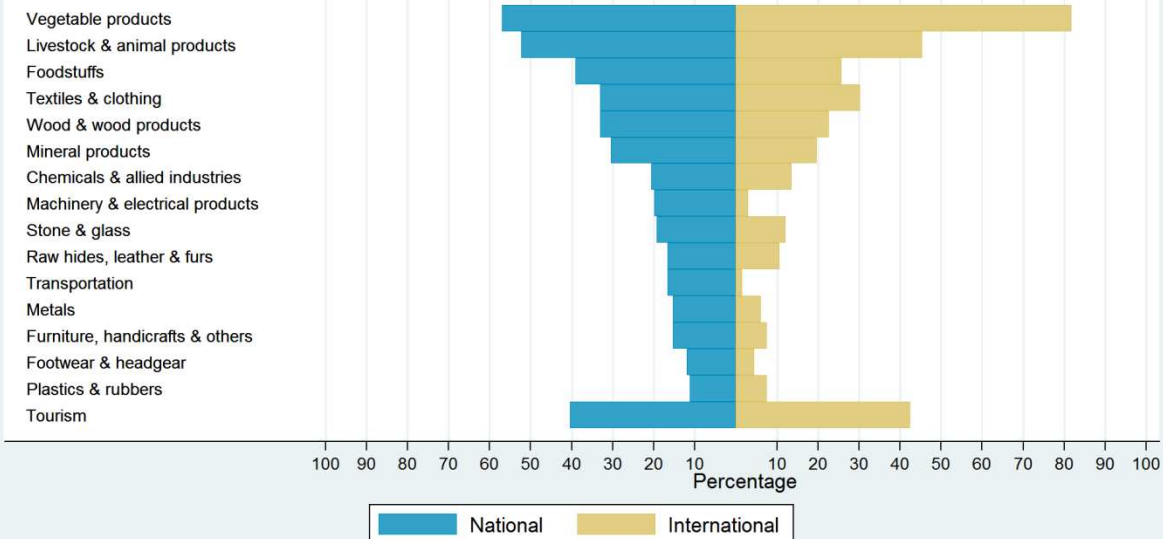


# Productive capacities of developing countries

An analysis of 800 strategies/plans in 145 developing countries finds that most focus on vegetable products, animals and animal products, textiles and clothing, foodstuffs, as well as wood and wood products. These are existing primary sectors for the most part with a limited potential for economic transformation.



# Productive capacities of developing countries



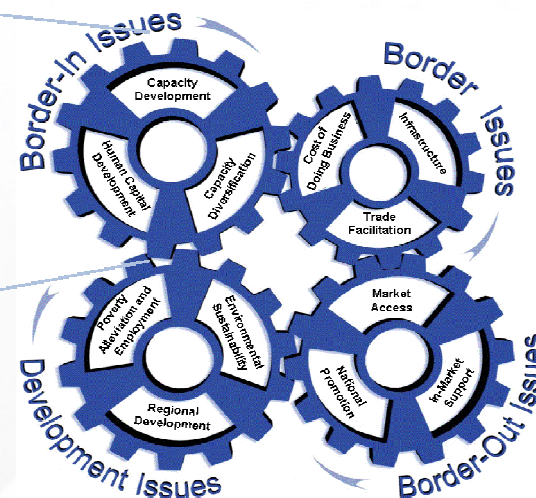
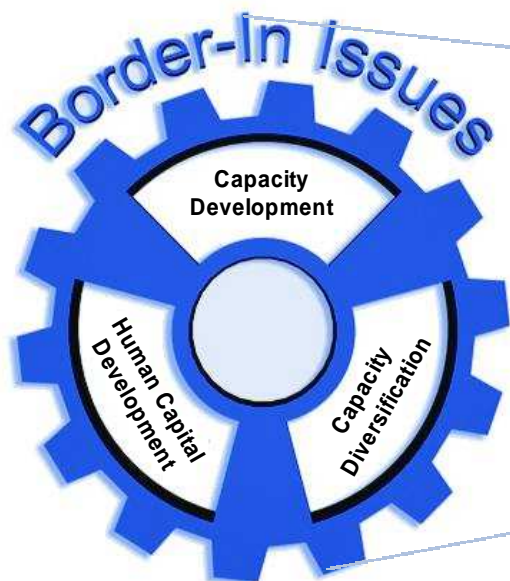


## Some common issues

ITC has facilitated the development of 50 strategies in 40 countries. Some of the most common issues encountered include:

- views of the value chain actors not adequately taken into account in policy formulation - ;
- disparities between trade and investment regimes;
- lack of investment, innovation, lack of research and development by the public and private sector;
- outdated practices and technology;
- inadequate relevant skills and human capital development;
- low value addition (emphasis on commodities);
- inadequate awareness, facilities and enforcement of quality standards;
- weak organization and coordination within value chains;
- low collaboration among enterprises to engage in strategic alliances.

# ITC's Approach to trade and export development



- building supply-side capacities;
- improving the business environment;
- enabling market entry;
- reaping development dividends.



# Addressing capacity development

Addressing capacity development involves action at three levels:

- policy;
- institutions;
- enterprises.

In doing so:

- Consistency and coherence are critical.
- The needs of all value chain actors must be taken into account.



# About Value Chain Analysis

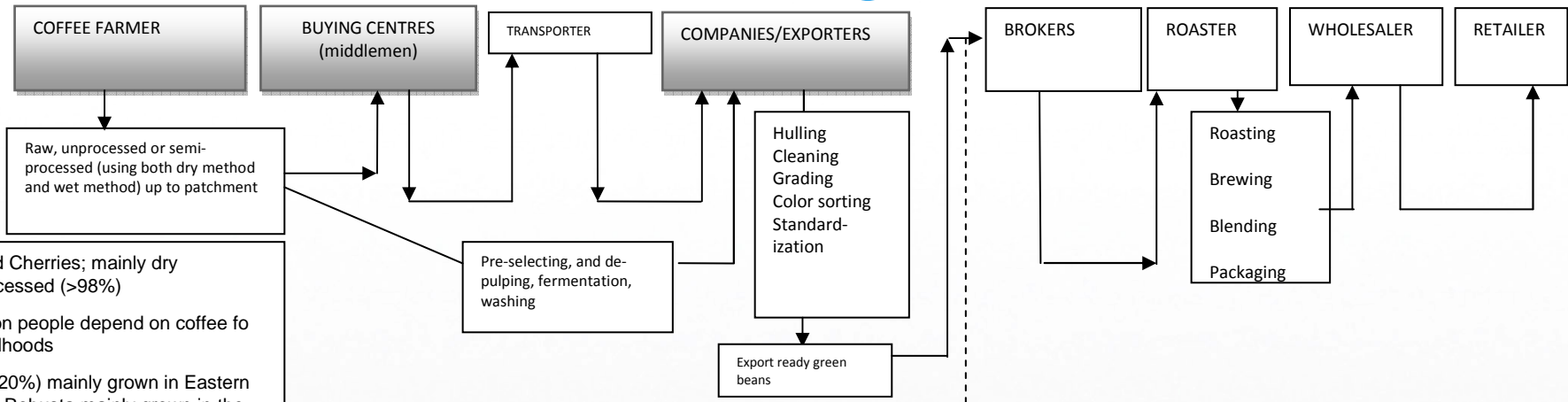
Value Chain Analysis spans the activities and linkages that take place to deliver a product (or service) to the market. These activities influence the current and future competitive strength of the sector, and the final value of the product.

Value Chain Analysis is used to identify problems in primary or support activities, and to define future opportunities for sector development. It is at the heart of sector development strategy.

# Some Fundamental Questions

- What are the links in the value chain?
- Which of the links contribute the most, and the least, value?
- Where in the national component of the chain is value lost (e.g. through inefficiency, waste or leakage)?
- Where do unexploited opportunities to retain greater value, add value or create value exist?
- Which links have the potential to engage disadvantaged groups (e.g. women, youth, rural communities)?

# Value Chain as a Guide: Uganda Coffee



Unsorted Cherries; mainly dry semiprocessed (>98%)  
 3.5 million people depend on coffee for their livelihoods  
 Arabica(20%) mainly grown in Eastern Uganda, Robusta mainly grown in the South/Southwest (80%)  
 Current production is about 2 million bags, mainly due to poor agricultural practices leading to low yields  
 Smallholders planting less than an acre  
 Yield estimate 1kg per tree and declining (CSF) Arabica (0.6 to 0.8 kg per tree)  
 High incidence of improper picking practices (unripe cherries) Loss of about 5-10% (CSF)  
 Rudimentary prodn methods  
 Small holder has limited access to seedlings (CSF)  
 Typically the farmer sells individually to buying centre  
 Associations are non existent (CSF)  
 Cherry size is declining (variery of factors)  
 Coffee wilt desease severely impacted robusta production forcing re-planting interventions

Middlemen bulk coffee from different sources to increase volumes (quality invariably falls)  
 Little price information available to farmers  
 Small processing plants with limited processing capacity (approx 20 tons per day)  
 Limited incentive to transform the coffee  
 Price margins vary significantly depending on who incurs the cost of transportation to the next processing facility  
 Middlemen are highly speculative. Their advantage is to find bulk for the companies to buy.  
 Middlemen have limited control of the pricing.

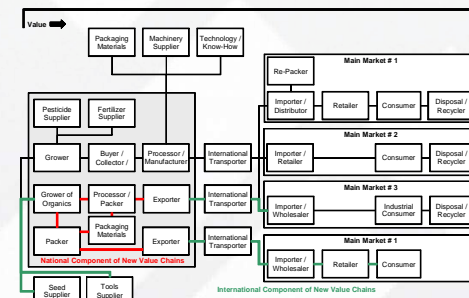
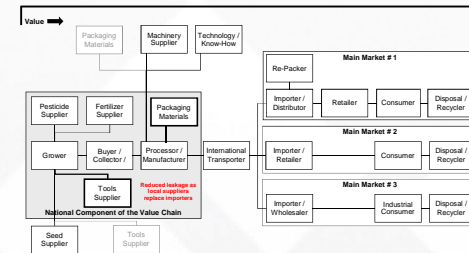
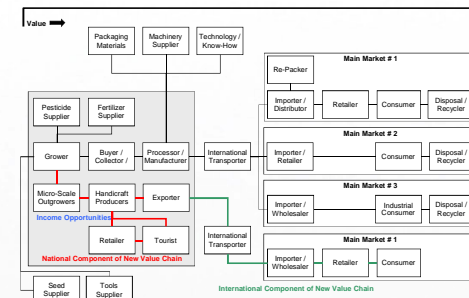
Inadequate access to skilled labor  
 Anemic supplies of standard coffee  
 Inefficient sourcing supply chain  
 Limited number of indigenous sector players. Sector largely characterized by multinationals.  
 Limited incentives to roast and pack finished coffee  
 Lack of roasting infrastructure  
 Little Investment in roasting technology  
 Price volatility  
 Loss rate of approximately 15% - 20% due to waste because of defects, chalky whites, stones, etc (CSF)  
 High operating costs (electricity, water etc) (CSF)

Expensive and constrained marketing  
 Complex distribution channels in the EU and US markets  
 Expensive and complex branding options  
 Growing specialty coffee segment commanding premium prices

# ITC's Value Options

Using the 5 value options to achieve future positioning:

- Value efficiency;
- Value retention;
- Value addition;
- Value creation;
- Value distribution.



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## Innovation is critical

High productive capacity + constant innovation =  
increased trade competitiveness

*“People don't trade money for things when they value their money more highly than they value the things.”*

*Roy Hollister Williams*



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## Key messages

- start with assessing and building local resources, skills, practices all along the value chain – needs and opportunities;
- actively pursue value chain upgrading along all links, adopting an inclusive and sustainable approach;
- engage in the development of new value chains – sowing the seeds today for future capacities;
- reform policies, regulations and institutions;
- monitor, measure and innovate, and start again.

# Export Strategy Map

A repository of strategic policy documents dealing with trade and development. This unique database includes more than 800 documents from 155 countries, mostly from the developing world, which have been implemented between 2001 and 2012.

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Country coverage

The Export Strategy Map currently includes 155 countries, corresponding to all ITC Priority Countries plus Romania. Overall, the database covers the entirety of Africa and Latin America and most Asian countries.

<http://www.intracen.org/export-strategy-map>



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THANK YOU!

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