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Diversification and value addition: approaches to increasing and retaining higher value added

By

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



International
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Diversification and value addition: approaches to increasing and retaining higher value added

Multi-year Expert Meeting on Commodities and
Development, tenth session

A presentation to: Multi Year Expert Meeting on Commodities, UNCTAD
By: James Howe, Senior Adviser DEI/SEC
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ITC Value Added to Trade (VA2T) Programme

*“We help **craft alliances** among value chain actors to improve coordination and build a supportive ecosystem for MSME growth. We bring **expertise and global networks in priority sectors** for partner countries including agriculture and agro-processing, textiles and clothing, light manufacturing, and services such as business process outsourcing and tourism. At enterprise level, ITC focuses industry knowledge and expertise on helping MSMEs improve **products and processes, attract financing, and improve core capabilities** in areas such as quality and packaging. Finally, ITC has a special focus on preparing MSMEs to benefit from **digital trade**. “*

-ITC Strategy 2018-2021

De-commoditization: the Value Engine



SMEs: What we know

- SMEs account for 70% of employment and over half of GDP and have a huge impact on growth and inclusiveness...
- ...and yet have lower productivity and pay lower wages than larger firms.
- Potential Gains to improving SME competitiveness are enormous, but barriers are high and complex...
- ...and SMEs are particularly sensitive to the eco-system and services around them.
- SMEs active internationally are particularly important: they bring innovation, market relationships and higher productivity.

Holistic Approach

The SME Competitiveness Grid supports measurement at the country / sector level

- Builds **platforms** (Alliance for Action), **industry and cluster** associations

3 Pillars of Competitiveness



SME Competitiveness Grid		Pillars		
		Capacity to compete	Capacity to connect	Capacity to change
Layers	'Firm Level' Capabilities			
	Immediate business environment			
	National environment			



3 Layers of Determinants

VA2T – Solutions

Integrated solutions putting the framework into practice at three main levels

Enterprise level:

- Help formulate **competitive strategies** and **access key resources**
- Reinforce quality and efficiency of **supply and production**
- Enable sales and marketing expand **market linkages**
- Focus on **e-commerce and digital solutions**

Sector level – Eco-system level:

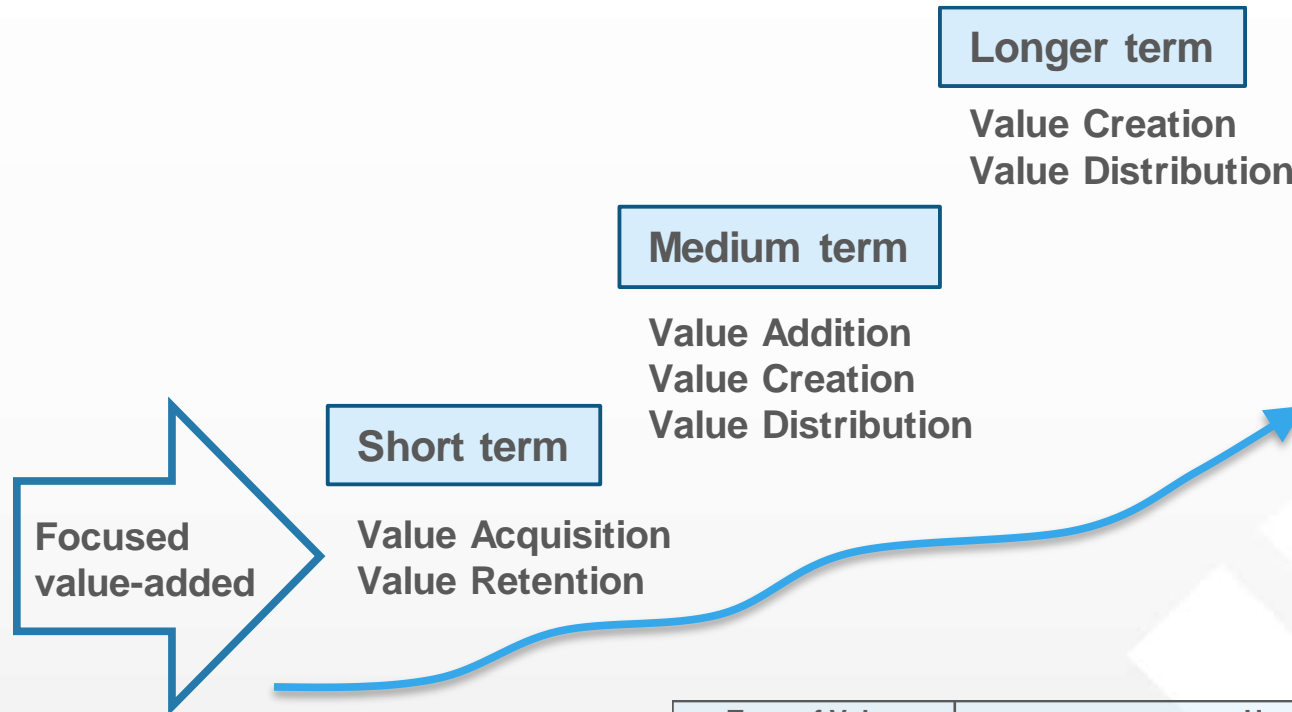
- Build **platforms** (Alliance for Action), **industry and cluster** associations
- Improve **immediate business environment**
- Design development **strategies at sector level**
- Implement operational and managerial **sustainability practices**

International market level:

- Foster **strategic partnerships** with buyers and lead enterprises
- Combine development impact with **environmental sustainability** and **long-term value generation**

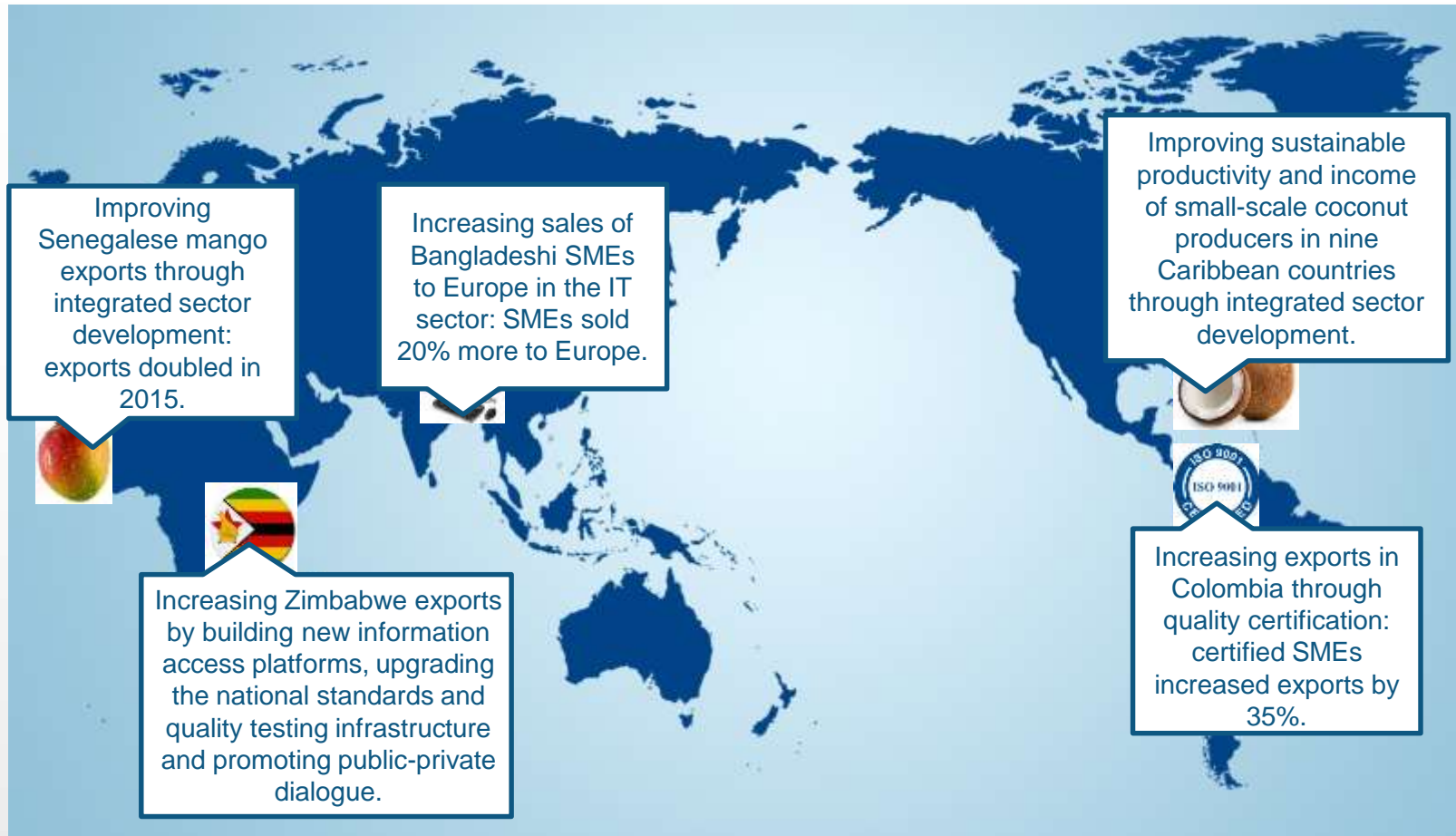
Value Added to Trade (VA2T) – Vision

VA2T builds transformative change over time with different layers of value

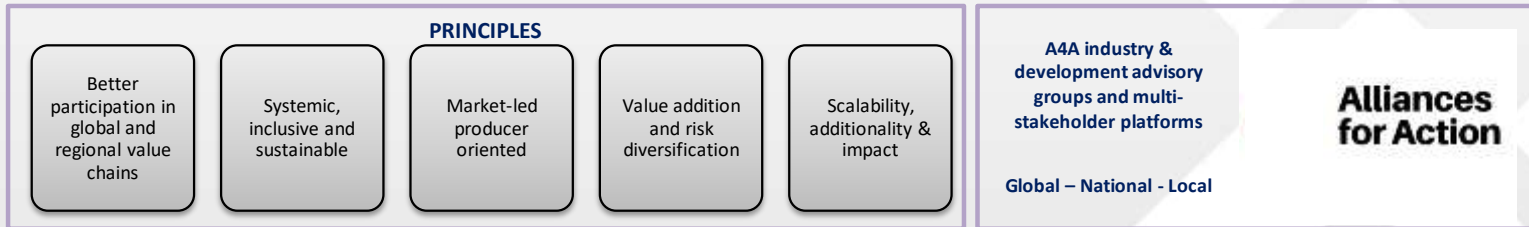
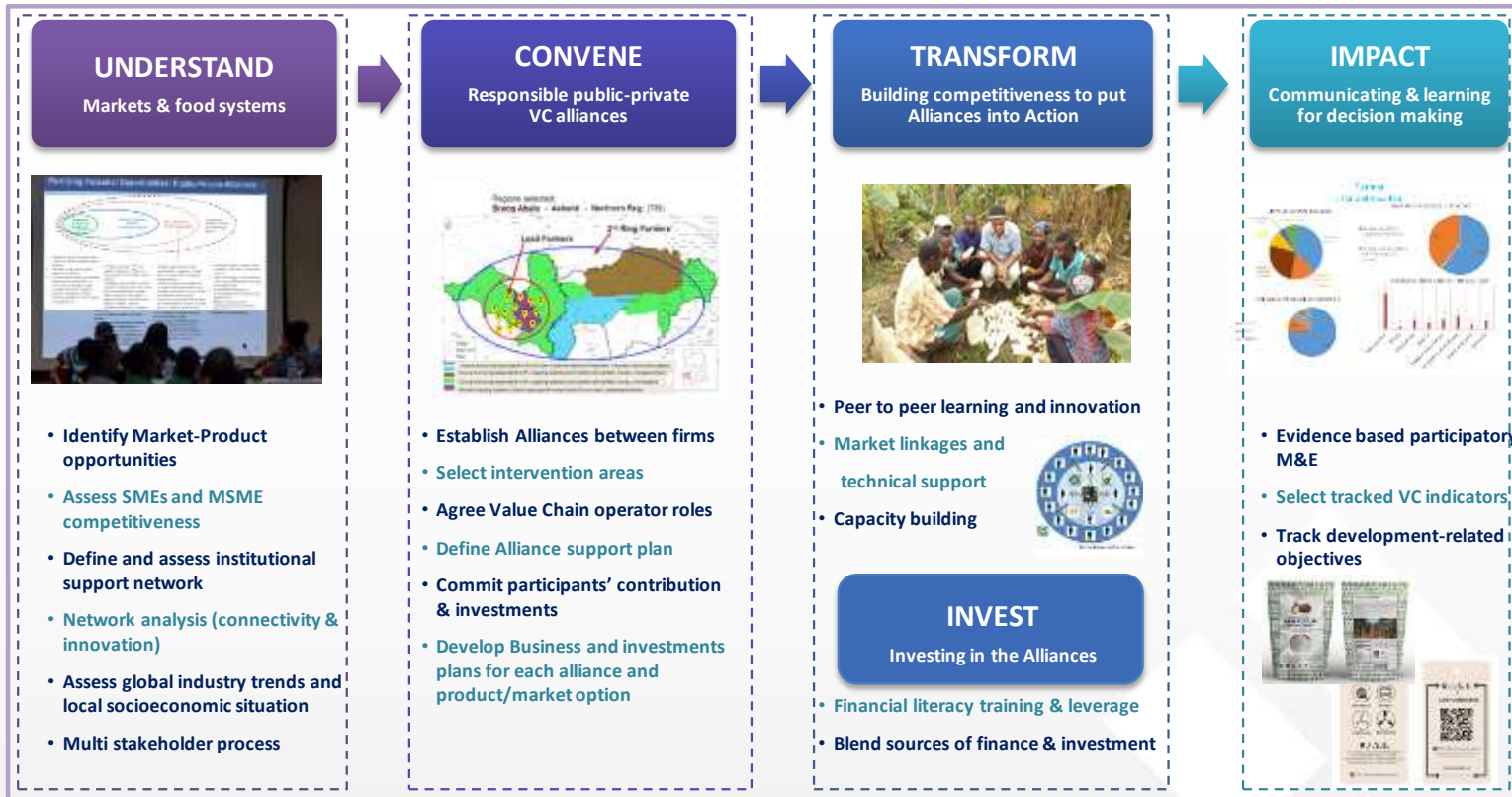


Type of Value	Upgrading Trajectory
Value acquisition	Improving efficiency (and reducing wastage).
Value retention	Taking on more tasks within each stage of the value chain
Value addition	Reinforcing and adding value at each stage of the value chain
Value creation	Entering new value chains within the sector or related sectors
Value distribution	Increasing developmental impact

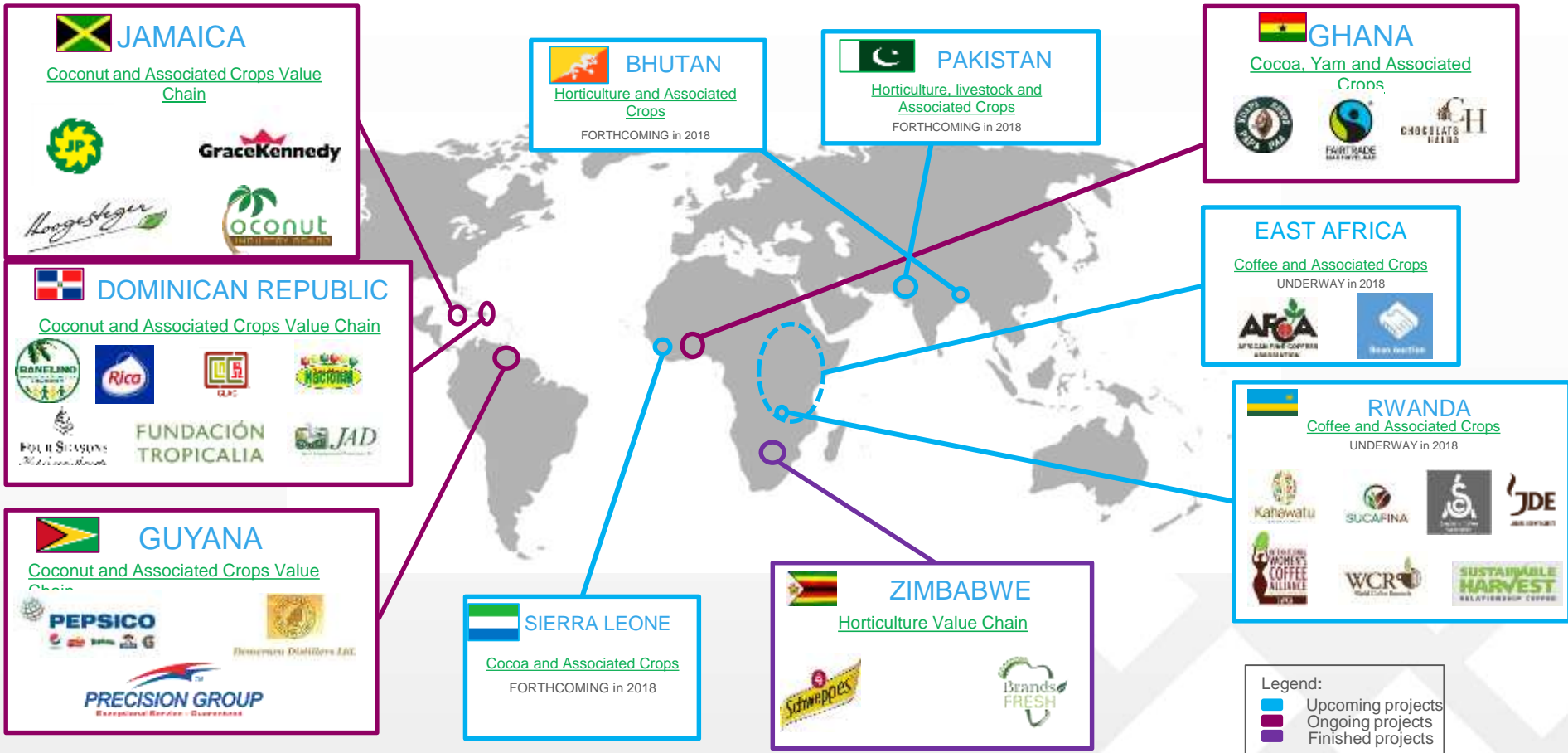
Examples of VA2T Interventions



Expanding Alliances for Action: Framework



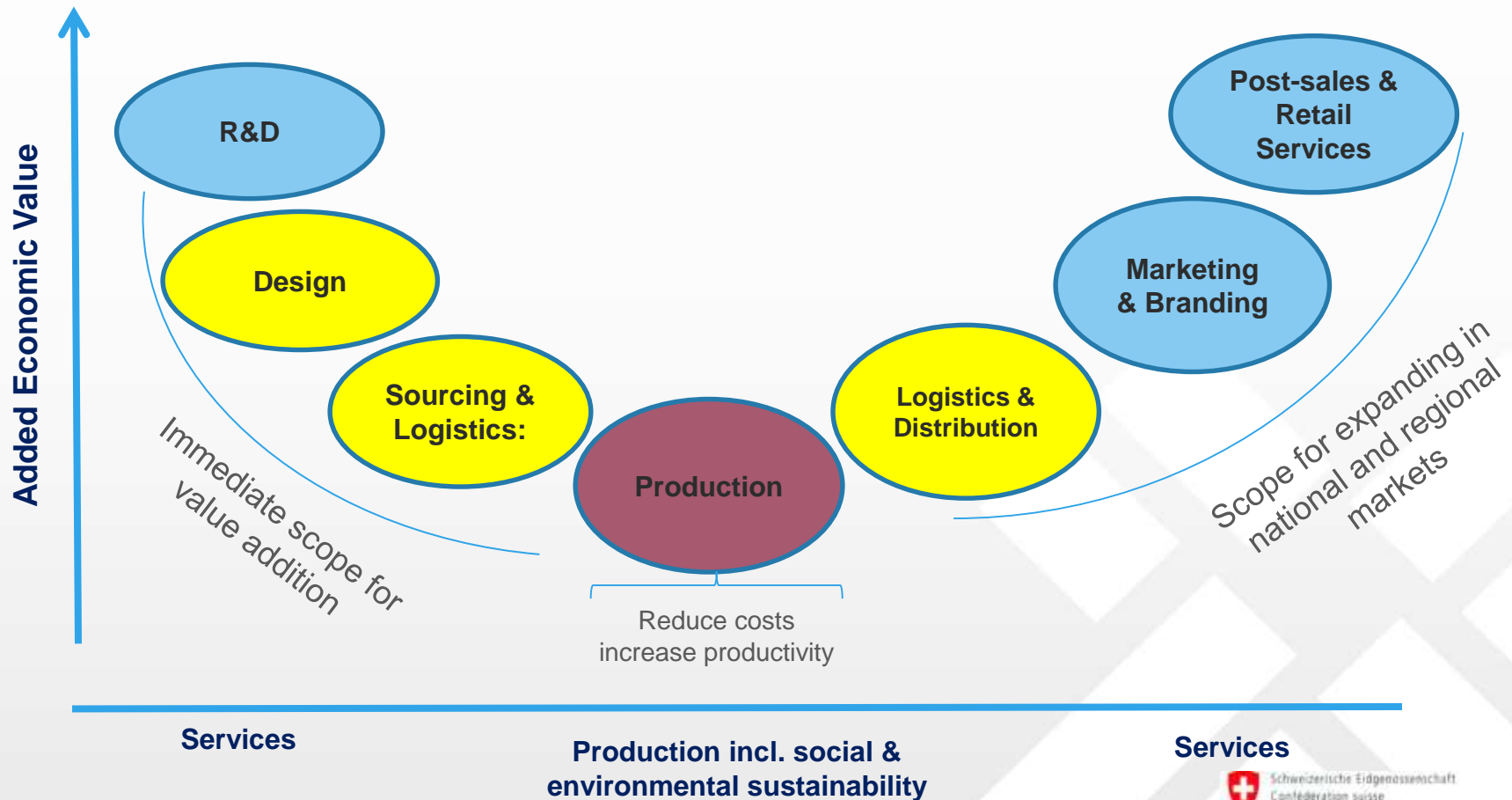
Alliances for Action Countries, Sectors & Partners



Legend:
■ Upcoming projects
■ Ongoing projects
■ Finished projects

Example from Global Textiles and Clothing Programme (GTEX) Capturing the value in apparel GVCs

Only focussing on production and productivity, including social and environmental sustainability, will miss the opportunity for enterprises to capture additional value



Quality-related Challenges for many SMEs...

Being and remaining competitive in terms of overall product quality, quantity, service and overall costs



Meeting additional specific buyer or customer requirements



Complying with standards required by buyers



Meeting legal market access requirements
(Technical regulations and sanitary and phytosanitary requirements)

Example: Improving production efficiency and quality Zimbabwe

Iron and Steel Processing factories

1. **Mono Pumps (Pvt) Ltd** manufacturing mono pumps



2. **JVS Projects** manufacturing electrical switchgear panels



3. **Copperwares (Pvt) Ltd** manufacturing copper gifts and trophies



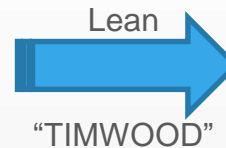
4. **Jacob Bethel** manufacturing integrated drill steel



5. **Stainless Steel Products** job-based stainless steel products



6. **Almin Metal Industries Ltd** vertically integrated aluminum architectural products



- **Improve cash flow and cost savings**
 - Optimise imported material purchase batch size, order frequency and group purchase
- **Improve productivity & efficiency**
 - Identify and alleviate bottleneck processes e.g. cooling
 - 5S workplace organisation (Sort, Straighten, Shine, Standardise and Sustain)
 - Cost-benefit analysis of backup generator for critical path equipment to reduce manufacturing downtime
- **Improve delivery**
 - Reorganise workstations to improve material flow and reduce cycle time, transportation and motion
- **Improve quality**
 - Templates for cutting to error-proof and reduce cutting time
 - Include unit counting at workstation and in quality check

Senegal mangoes

CRITERIA OF THE LABEL

Product quality

Process quality

Environmental considerations

Social considerations

Who can be labeled?

- Producers of fresh mangoes
- Exporters of fresh mangoes
- Mango processors
- Exporters of mango-derived products



A SENEGALESE
QUALITY
MARK FOR
SUSTAINABLE
DEVELOPMENT



FRESH MANGO QUALITY

GLOBALG.A.P.-certified
growers
Sorting and selection of the
best mangoes
Among the finest colour,
flavour and appearance



DERIVATIVE PRODUCT QUALITY

HACCP-certified units
Derivative products using
only mangoes carrying the
quality mark
End-to-end traceability



GROWING

Preference for
organic inputs
Strict control over the
use of pesticides
Rigorous tree maintenance



HARVESTING

Fruit picked at optimum
ripeness
Prevention against any risk
of contaminations
Strict hygiene



ENVIRONMENTAL CONSIDERATIONS

Integrated soil management
Integrated water resource
management
Respecting the ecosystem

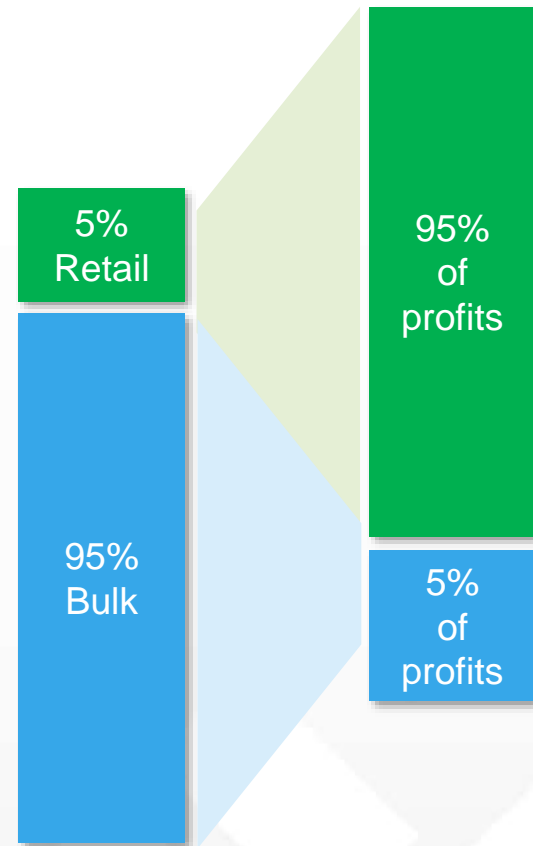


SOCIAL CONSIDERATIONS

Fair working conditions and
worker protection
Protection against
child labour
Respect for dignity and
for the work done

Chad Gum Arabic

Developed a growth marketing strategy and a set of communication tools



100-150kg jute bags of gum arabic

Solution/Production

200-500g small canisters

1,100 € / tonne

Price

32'000 € / tonne

Smaller quantities, better understanding of the customers, retaining more value at producer/exporter level

Inverting a Global Value Chain: the example of Mama Louise Coffee from Rwanda



10 Spezialitäten Kaffee Kapseln Ruanda Fairtrade - Nespresso Kompatibel - 55g
Brandneu

EUR 5,00

(EUR 0,91/10 g)

Sofort-Kaufen

Kostenloser Versand



« This is a great opportunity for us to meet new clients and see how we can expand our business globally through e-commerce. »

“

Anna Kim
LetSequoia CEO,

THANK YOU

James Howe:

howe@intracen.org



TRADE IMPACT
FOR GOOD