

## **A Value Chain Approach to National Export Strategy Development**

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**The Issue:** The *international value chain* extends from raw material supply through to delivery to the consumer. International buyers intervene in the value chain at a stage where they can maximise profit and control.

Buyers assign different values to each link in the chain based on the importance of that link to consumer satisfaction, buyers profitability and their company's ability to perform a step itself.

The challenge confronting the exporter is to become *directly* involved in those stages of the value chain to which buyers assign the highest value. In so doing, exporters will *capture* the greatest available portion of the "total value" of a product.

**The Proposition:** Originally a micro-level concept, we believe that the value chain approach has an application at the macro-level. In fact, the value chain provides the basis for the development of national trade strategy. It can integrate the performance of individual enterprise to build competitiveness in export sectors and, ultimately, the nation.

National export strategy-makers should, therefore, incorporate this approach into their strategy management process. This would ensure that strategy targets the key "value considerations" affecting performance (and value capture) in the short term and competitive advantage in the longer term. It would also ensure that the national trade support network focuses on those links in the value chain that add the greatest value.

One key strength of the approach is that it should engage all "actors" in the value chain in the strategy development process, including informal clusters, non-exporting suppliers, regulatory authorities, trade finance institutions and other intermediaries, thereby stimulating dialogue and public/private sector partnership. In practice, the degree of engagement can depend on the leadership of the approach. In any event people that would not normally associate together do share information and achieve a better understanding of their role, and the impact of their activities on imports and exports.

This proposition raises a series of questions that we will debate, including:

- Should national strategy be based on sector strategies developed on “value chain” considerations?
- If the answer is “yes”, then at what stage in the trade strategy or capacity building cycle should a value chain analysis be undertaken
- Is “value” a static or dynamic concept and what are the “risk” implications for strategy?
- What are the implications of the “value chain” approach for the strategic objective of ensuring “total response capacity”.

To launch the debate, teams from Kenya and Uganda will report on their experiences in applying the “value chain” approach as a starting point for strategy formulation.