**Step Three: Analysis of Opportunities and Constraints Using the Value Chain Framework**

Step three uses the value chain framework as a lens through which the gathered data is analyzed. The framework is a useful tool to identify systemic chain-level issues rather than focus on firm-level problems. While interviews give the value chain analysis team the chance to gather information from individual firms, the value chain framework helps to organize this information in such a way that the analysis moves from a firm-level to a chain-level perspective. If the chain cannot be competitive, the success of individual firms is compromised. Therefore, taking a systemic approach is key to sustaining the competitiveness of the chain.

The factors affecting the performance of the chain are further analyzed to characterize opportunities and constraints to competitiveness. These factors are:

- End markets
- Business enabling environment
- Vertical linkages
- Horizontal linkages
- Supporting markets
- Value chain governance
- Inter-firm relationships
- Upgrading

Each plays a role in influencing value chain competitiveness. Using a Value Chain Analysis Table format, these factors of the value chain framework can be evaluated in terms of offering opportunities for upgrading and the constraints to taking advantage of these opportunities.

Value Chain Analysis Table:

This exercise is best conducted on two levels: one with the value chain analysis team and the other at the vetting workshop. Looking at the value chain through the framework lens helps us to identify:

- the best opportunities for growth and improved industry performance resulting from upgrading. Indications of these opportunities include positive market trends, favorable legislation, active actor groups, value chain “champions,” expanding service providers and "win-win" relationships;
- systemic constraints that prevent those unrealized opportunities from being exploited. Obstacles include inadequate market intelligence, punative local regulations, underdeveloped supporting markets, low levels of entrepreneurial leadership and adversarial relationships;
- the types of relationships that exist;
- any gaps in the information gathered;
- the set of stakeholders in the industry that will benefit from investments in upgrading. Involvement by

this group will determine the success of an intervention. Alone, these stakeholders may not be in a position to drive change;

- the subset of the above group of stakeholders who have the incentives, skills, resources and power to help drive/make the needed investments to upgrade. This group will be the catalysts of change even though they need others in the chain to make it happen.

The table below can be considered a tool with which to analyze the collected information. For each factor in the left column affecting performance, list successively the opportunities, the constraints that prevent those opportunities from being seized, the factor's potential for contributing to chain upgrading, and the quality of the relationship. Rather than using generic benchmarks as a basis for analysis, each factor should be analyzed in terms of its contribution to the upgrading of the value chain under consideration.

Table 4: How to collect and analyse information

| Framework | Situational analysis | Opportunities to Upgrading | Constraints to Upgrading | Recommendations/What can be done? |
|---|---|---|---|---|
| Structural Elements of Value Chain | | | | |
| End Markets | | | | |
| Business Enabling Environment | | | | |
| Vertical Linkages | | | | |
| Horizontal Linkages | | | | |
| Supporting Markets | | | | |
| Dynamic Elements of Value Chain | | | | |
| Value Chain Governance | | | | |
| Inter-firm Relationships | | | | |

Value Chain Framework

Value chains encompass the full range of activities and services required to bring a product or service from its conception to sale in its final markets—whether local, national, regional or global. Value chains include input suppliers, producers, processors and buyers. They are supported by a range of technical, business and financial service providers. Value chains have both structural and dynamic components. The structure of the value chain influences the dynamics of firm behavior and these dynamics influence how well the value chain performs. The process of chain analysis requires the use of the value chain framework to identify: 1) the **structure** of the chain, including all individuals and firms that conduct business by adding value and helping move the product toward the end markets, and 2) the **dynamics** of the value chain, which refers to the determinants of individual and firm behavior and their effect on the functioning of the chain.

Structural Factors

The structure of a value chain includes all the firms in the chain and can be characterized in terms of five elements described below:

**End markets:** End markets are the starting point of the value chain analysis. End markets are people, not a location. They determine the characteristics—including price, quality, quantity and timing—of a successful product or service. End market buyers are a powerful voice and incentive for change. They are important sources of demand information, can transmit learning, and in some cases are willing to invest in firms further down the chain. End-market analysis assesses current and potential market opportunities through interviews with current and potential buyers, and takes into consideration trends, prospective competitors and other dynamic factors. During chain analysis, the focus should be on the current and potential production capacity of the chain in the country studied and its ability to respond to end market demand. It is through the analysis of end markets that we are able to identify the investment needs that will drive chain upgrading.

**Business enabling environment:** Chains operate in a business enabling environment (BEE) that can be all at once global, national and local and includes norms and customs, laws, regulations, policies, international trade agreements and public infrastructure (roads, electricity, etc.). The international enabling environment requires the investigation of conventions, treaties, agreements and market standards. While trade agreements, such as European Union Economic Partnership Agreements or AGOA, can open opportunities for firms, international standards can build obstacles to the same opportunities. Information is also needed at other levels, including national and local policies, duties, business licensing procedures, enacted regulations and the state of public infrastructure. The analysis may need to be further broken down in terms of firm size: there may be particular constraints and opportunities facing micro- and small enterprises for example. Overall, the analysis process must determine whether and how the business enabling environment facilitates or hinders performance of the value chain, and if it hinders, where and how can it be improved. BEE constraints can be difficult to resolve—sometimes requiring considerable time, resources and political capital. Consequently, significant BEE constraints discovered during the value chain analysis phase may lead to a reconsideration of the selection of the value chain.

**Vertical linkages:** Linkages between firms at different levels of the value chain are critical for moving a product or service to the end market. Vertical cooperation reflects the quality of relationships among vertically linked firms up and down the value chain. More efficient transactions among firms that are vertically related in a value chain increase the competitiveness of the entire industry. In addition, vertical linkages facilitate the delivery of benefits and embedded services and the transference of skills and information between firms up and down the chain. Fishing and aquaculture operations are vertically linked to a varied range of market actors including wholesalers, retailers, exporters, traders, middlemen, input dealers, suppliers, service providers and others. The nature of vertical linkages—including the volume and quality of information and services disseminated—often defines and determines the benefit distribution along the chain and creates incentives for, or constrains, upgrading, defined as “innovation to increase value added.” Moreover, the efficiency of the transactions between vertically linked firms in a value chain affects the competitiveness of the entire industry. An important part of value chain analysis is the identification of weak or missing vertical linkages.

**Horizontal linkages:** Horizontal linkages—both formal as well as informal—between firms at all levels in a value chain can reduce transaction costs, create economies of scale, and contribute to the increased efficiency and competitiveness of an industry. In addition to lowering the cost of inputs and services, horizontal linkages can contribute to shared skills and resources and enhance product quality through common production standards. Such linkages also facilitate collective learning and risk sharing, while increasing the potential for upgrading and innovation. Value chain analysis also considers competition between firms. While cooperation can help firms achieve economies of scale and overcome common constraints to pursue opportunities, competition can encourage innovation and drives firms to upgrade. The most successful horizontal linkages maintain a balance between these two contrasting, but critical and complementary concepts. One of the objectives of value chain analysis is to identify areas where collaborative bargaining power could reduce the cost or increase the benefits to small firms operating in the chain.

**Supporting markets:** Supporting markets play an important role in firm upgrading. They include financial services; cross-cutting services such as business consulting, legal advice and telecommunications; and sector-specific services. Not all services can be provided as embedded services by value chain actors, and so vibrant supporting markets are often essential to competitiveness. Service providers may include for-profit firms and individuals as well as publicly funded institutions and agencies. Support markets operate within their own value chain—most service providers themselves need supplies, training and financing in addition to strong vertical and horizontal linkages. Value chain analysis should therefore seek to identify opportunities for improved access to services for target value chain actors in such a way that the support markets will be simultaneously strengthened, rather than undermined. Formal supporting markets are likely to expand as the value chain develops. Therefore, when analyzing emerging value chains, or ones predominated by small enterprises, particular care should be taken to uncover informal sector service providers, which often go unnoticed.

Dynamic Factors

The firms in an industry create the dynamic elements described below through the choices they make in response to the value chain structure.

**Value chain governance:** A distinguishing characteristic of value chain analysis is the emphasis not only on the dynamics of end markets but also on the dynamics and shifts in relationships. Value chain governance refers to the relationships among the buyers, sellers, service providers and regulatory institutions that operate within or influence the range of activities required to bring a product or service from inception to its end use. Governance is about power and the ability to exert control along the chain – at any point in the chain, some firm (or organization or institution) sets and/or enforces parameters under which others in the chain operate. Understanding how and when lead firms set, monitor and enforce rules and standards can help firms in the chain better integrate and coordinate their activities. Governance is particularly important for the generation, transfer and diffusion of knowledge leading to innovation, which enables firms to improve their performance and sustain competitive advantage. Awareness of the governance structure of a value chain can provide governments, donors and development practitioners with information about how best to provide small enterprises and larger firms with the training and technical assistance needed to upgrade their position in the chain. When conducting value chain analysis, the type of governance structure that exists must be identified since it will contribute significantly to the selection of interventions to increase competitiveness.

**Inter-firm relationships:** This refers to the nature and quality of the interactions between stakeholders in a value chain. Relationships can be supportive of industry competitiveness that enhances benefits to small enterprises and larger firms, or adversarial to it. Supportive relationships facilitate collaboration; enable the transmission of information, skills and services; and provide incentives for upgrading. They are based on a long-term view of the industry, while adversarial relationships are structured to maximize short-term profits. During value chain analysis interviewees should be asked questions that will reveal whether they consider their relationships to be mutually beneficial; whether their interactions are recurrent and substantial (involving the exchange of information, skills and services in addition to product and money) or are brief, isolated commercial interactions; and whether these relationships are entered into freely from a motive of self-interest, without social or government pressure.

**Upgrading:** In order to respond effectively to market opportunities, firms and industries need to innovate to add value to products or services and to make production and marketing processes more efficient. These activities, known as firm-level upgrading, can provide small enterprises and larger firms with higher returns and a steady, more secure income through the development of knowledge and the ability to respond to changing market conditions. Upgrading at the industry-level focuses on increasing the competitiveness of all activities involved in the production, processing and/or marketing of a product or service and mitigating the constraints that limit value chain performance. Upgrading needs to be a continual process and can lead to national economic growth. In value chain analysis, the objective is to identify opportunities and constraints to firm- and industry-level upgrading; specifically the analysis looks for catalyst firms with the incentives, resources and willingness to promote and facilitate upgrading within the chain.

**Step Four: Vetting Findings of Chain Analysis through Stakeholder Workshops**

Value chain analysis helps develop a private-sector vision to reflect stakeholders' interest in improving the efficiency and competitiveness of the chain. The fourth step, vetting findings, uses value chain analysis through a structured event (or series of events) like a workshop to facilitate discussion with and among selected participants.

The objective of these events is to bring participants together who are responsible for critical market functions, service provision, and the legal, regulatory and policy environment. The goal is to have these participants—who have an incentive to drive investments in upgrading—to develop and assist in implementing a private sector-led competitiveness strategy. To develop this strategy, the stakeholders will need to prioritize the opportunities and constraints identified during the value chain analysis. With an open format, such structured events foster buy-in to the analysis process.

Participants are selected based on the role they play in the value chain, or their responsibility for critical market functions. There should also be small enterprises, medium and larger firm and association representatives who, during the interview phase, exhibited an understanding of the issues related to the value chain (especially the opportunities), a strong interest in the types of questions posed during the interview, and leadership skills among peers or the community.

Vetting events can take on several forms from simple one day reporting-out sessions to more structured workshops that stretch to two or three days. The events are planned to reinforce the importance of knowing and understanding the end market. In presenting the findings of the value chain analysis, workshop leaders should stress that to remain competitive, stakeholders and other participants must continuously learn what end markets demand in terms of product specifications, quality, and other requirements.

It can be powerful to have a series of buyers present at the workshop. Where not possible, a phone call or pre-recorded video interview can be an effective means for stakeholders to see and hear directly from the buyer.

The event should include facilitated discussions, review and adjustments of value chain map and a review of the Value Chain Analysis Table mentioned above. For this exercise, it is recommended that the completed table be projected on a screen, and additions and modifications made during discussions inserted with the computer projecting the table. This assures a participatory process and on-the-spot adjustment witnessed by attending participants. If changes are made, the updated table can be rapidly printed and distributed to participants before they leave.

In environments characterized by a number of donor partners working with the same group of firms, burn-out and skepticism particularly among the most important change drivers is likely. In some instances, the firms most important to driving change may not attend a full-day workshop even though they may be highly committed to the upgrading process and strategy for making the industry more competitive. If time allows, the analysis team can meet with these firms in advance of the workshop to convince them of the value of the competitive planning process. If this is not possible, the analysis team should meet with these firms as soon after the workshop as possible to vet findings and secure buy-in or commitment to the industry competitiveness planning process.

## 1.4 Improving competitiveness, improving excellence

Competitive pressure to achieve efficiency gains obliges companies to interact more closely with partners upstream and downstream in the value-adding process.

The implication for policy-makers is that linkages deserve more attention, both domestic and global, to achieve competitiveness. The main general point is that by tracing connections from the buyers to the producers, the value chain approach helps to establish priorities for action. This was explained in Part A, where the Reverse

Value Chain approach is particularly useful as looking at end market demands first, helps establish priorities for effective development earlier in the value chain.

It can also be used for drawing national and foreign support agencies into a common strategy.

Please note that competitiveness of individual companies depends on:

- competitiveness of the value chain
- Interaction with partners upstream and downstream
- effective domestic value chain linkages
- suppliers delivering high quality products and on time
- support from institutions
- conformance with international standards
- identifying and resolving bottlenecks in the value chain which delay progress.

.. and not surprisingly, customer demand is the driver of change!

## 1.5 Customer demand: the driver of change

We live in a buyer-driven world, and as markets become more differentiated and complex, and as buyers become more demanding, it becomes essential to improve service delivery and consequent competitiveness.

The customer driven approach becomes essential for directing upgrading efforts and service delivery. Policy-makers, in order to be effective, should learn to work with these drivers of change, and should use the value chain analysis to help them do so.

It provides policy-makers with a view on how local enterprises fit into the global economy - and it provides all the actors with the tools to identify where improvements will be necessary to make these linkages.

## 1.6 Identifying areas in need of improvement, using value chain analysis as a tool

Once the policy has been developed, this should serve as a blueprint to ensure that the business remains on track with stated objectives and work practices. Use the policy to ask what critical success factors are needed to win business from buyers. Then analyse the gaps between the requirements of the buyers and the capabilities of the suppliers. In many cases, it is necessary to go to the buyers themselves to find this out.

Buying customers may have a very different perception of which aspects of supplier performance really matter, and also different assessments of the level of competence of suppliers. If service delivery is based upon the manufacturers' own assessments, resources may be wasted in improving performance in areas that were never priorities for buyers.

Common elements that influence competitiveness over similar business rivals, are:

- Product quality and packaging
- Price
- Speed of delivery
- Flexibility
- Innovative design.

Producers might perform poorly in terms of say, quality and punctuality, but do well in terms of price and flexibility. Such differences emerge clearly if one asks the buyers to rate suppliers' performance using a five - point scale for each of the above criteria.

Suppliers can then be asked to rate their own performance using the same criteria and scale. The comparison of this self-assessment with the buyer's assessment is a powerful tool for helping entrepreneurs to identify where they might be failing and where they need to improve.

## 1.7 Gaining market access: What is the policy problem?

Gaining market access is about improving competitiveness. Be careful of pitfalls to be too supply oriented, through being overly focused on production inputs such as: skills, technology, raw materials, credit - and not being sufficiently concerned with who *buys* the outputs. Providing a good service also reinforces the link with a buyer.

It is helpful to launch investigative missions from time to time, as these help both entrepreneurs and policymakers learn how the real world works.

And with regards the conflict with buyers' own competence, the solution could be that buyers only contribute to further own interests, by supporting participation in trade fairs, and diversifying customers and markets.

The question for the policymaker is how these *relationships* can be used to enhance the flow of know-how along the chain. This is the challenge.

Supporting participation in trade fairs is an important service for enterprises that operate in markets in which many producers face many buyers. And in markets dominated by few buyers, helping producers to access these buyers and visit their chains is a valuable service.

## 1.8 Diversifying customers and markets

In order to avoid overdependence on a buyer, it becomes important to gradually diversify customers and markets and to operate in several chains simultaneously. This is where Business Development Services (BDS) remain important. The information, advice and training required for this diversification are unlikely to come from existing buyers. Hence the need for specialised institutions to perform this task, e.g. the Board of

Investment in Mauritius.

## 2. Using policy to upgrade local enterprise capabilities

Over the last two decades, the importance of trade coordinated by global buyers has greatly increased. This has had a major impact on local producers' ability to improve performance using better equipment and more qualified personnel and produce quality products for global markets. Working to the specifications of large global buyers often provides a fast-track to the upgrading processes and products within a company.

Why global buyers set and enforce the terms under which other companies in the chain operate? Why do they go to the trouble and expense of setting up and supervising supply chains? The central reason is a fear of not having the product to the right specification, at the right time in the right place – or the "risk of supplier failure".

But global buyers do not always play this enabling role. There are cases where they provide no support and others where they block producers' ambitions, so here a Business Development Services approach is very important.

Donor and government agencies favour a Business Development Services (BDS) approach. This is where donors and government agencies have a working partnership with businesses, working together to make the businesses better. The central message of recent value chain research, is that buyers have a major role in helping local producers upgrade skills and equipment to produce according to their specifications

The question is: Can policymakers create the circumstances to encourage such upgrading by private sector? Upgrading opportunities differ according to types of value chain enterprises feed into. **The way trade is organised, matters!**

## 3. Stakeholder conflict

There are different types of conflict: environmental, industrial, community disputes. Without mediation, conflicts pull economies apart. In most cases, government is the most legitimate mediator, and government agencies can help with interventions.

Qualified expertise is required for resolving conflicts, following the best practice formulated in conflict resolution. The best way to prevent conflicts though, is by applying participatory approaches.

The proposition put forward here, is that the stakeholder approach needs to be revised: the group of actors to be brought to the table cannot be derived from a local cluster or regional development approach alone.

The value chain approach helps to make a more relevant selection of stakeholders, including external buyers, especially if external buyers "pull the strings" and have a direct impact on local outcomes. To benefit from such initiatives from buyers, small scale exporters would be better off if they cluster to be able to get volumes and negotiate a better price.

## 3.1 Labour issues in the market

Workers want to be part of the decision making. It would serve any employer to keep in mind that involving stakeholders is both a way of staying on good terms with employees, and for improving labour and standards of practice. Involving the labour union, forces the company to keep its house clean. A management committee including workers can improve industrial relations within a company.

## 3.2 Labour improvement strategies:

- Commitment to good practice
- Management and worker cooperation and common objectives for the company
- Training and capacity building
- Monitoring and inspection of corporate performance
- Sharing lessons
- Research.

## 3.3 The value chain and improving employment standards

Again, the value chain helps by promoting good employment standards through:

social corporate responsibility where big stakeholders provide financial or technical assistance to the surrounding community or other deserving organisations. Organisations that look well after their staff, build a good reputation, which instil trust in customers. They trust the organisation as an employer, and therefore also trust the product or service it offers.

**Differences between industry sectors to be accommodated**

Make sure that variety within the group is accepted and compliments the goals of the business. For example, when aquaculture goes large-scale, it may drive down the price of wild caught fish competing in the same international market, so that wild caught species should develop a niche market to remain profitable. Increasingly more fishing companies nowadays adopt aquaculture to spread their risk and product portfolio base for this reason – to capitalise on the benefits of both aquaculture and wild caught species.

**Policymakers to understand realistic leverage points and options for moving forward**

Leverage points are areas where the business can maximise benefit, in that it is a means to fast-track profit making and sector development. In the small scale fisheries sector such a leverage point for example, is the use of ice to delay fish spoilage. Once it becomes known that the product is now of higher quality, there is the opportunity to move into new markets that pay better prices.

**The ability of trade to reduce poverty (depending on the willingness to pull down the value in global chains to benefit unregistered workers)**

Sometimes a business compromises slightly on profit, in order to gain a good market reputation. Customers and workers believe, perhaps stereotypically, that the business makes large profits, even when the owner disputes this perception. A business that looks after the welfare of workers during good times, has the understanding and cooperation of employees in the tough times.

The value chain's ability to improve employment standards requires regulation of employment practices, and extending the trade capacity of the informal economy. The value chain approach can highlight the distinctions between different kinds of relationships to help policy-makers understand realistic leverage points and options for moving forward. It can also demonstrate connections between the most disadvantaged workers and other parts of the industry within a particular country.

This can lead to an analysis of domestic leverage points. Who holds the power? What is the percentage of labour costs in total costs further up the chain? Would the cost of social protection make the manufacturers or their buyers less competitive?

Chain analysis helps to answer such questions and makes it possible to have more informed negotiations.

### 3.4 Power players in the value chain

*Relationships matter*. If policy-makers expect local companies to learn from participating in the global economy, they need to know whether these companies engage merely in transaction (buying or selling) or interaction (which also involves intensive exchange of information and transfer of ideas).

They should be aware of power and inequality in the chain. Working for powerful players can bring great benefits, but will also severely limit what the companies or government agencies can achieve.

**~ Why and how value chains are governed ~**

- Product definition

  *the more the buyers pursue a strategy of* product differentiation - for example through design and branding, the greater the need to provide suppliers with precise product specification and to ensure that these specifications are met.

- Risk of supplier failure

  *the increasing importance of non-price* competition based on factors such as quality, response time and reliability of delivery, together with increasing concerns about safety and standards, means that buyers have become more vulnerable to shortcomings in the performance of suppliers.

Value chain governance matters, because:

Value chains shape market access: Even when developed countries dismantle trade barriers, developing country producers do not automatically gain access to developed country markets, because the chains which producers feed into set out criteria for distinguishing between relationships. Captive chains can fast-track production capabilities.

Distribution of gains across the value chain is *unequal*: Key insights from global value chain analysis are often controlled by a limited number of buyers. In order to participate in export manufacturing for markets such as Europe and North America, developing country producers need access to the lead companies of these chains.

Traceability is critical for these companies if they are to meet health, safety, environmental, and labour standards demanded by consumers, NGOs and government agencies. Small companies often cannot get into these export markets because they cannot meet global lead firm demands for traceability.

Understanding the power structure of a chain helps to understand the distribution of gains along the chain. The ability to govern often rests in subtle competences (design, branding, marketing) characterised by high barriers to entry.

The high returns reaped usually go to developed country companies. In contrast, developing country companies tend to be locked into tangible (production) activities, producing to the standards set by the lead companies; suffering from intense competition and reaping low returns.

These distribution issues are critical to debates about the benefits of global economic integration. In spite of inequalities along the chain – the job and earning opportunities for workers have improved enormously over time.

Hence, in future planning and defining new policies the above remarks needs to be taken into account, so that these challenges are addressed.

# 4. Value chain analysis as a means to introduce policies to improve international fish trade and food security for small-scale fisheries in developing countries[6]

FAO and the Norwegian Agency for Development Cooperation (NORAD) have initiated a comprehensive value-chain analysis of international fish trade with an impact assessment of the small-sale sector in developing countries. The aim is to identify ways to improve food security for local populations through more informed policy decisions.

[6] This is a follow-up to a 2004 study on the impact of international fish trade on local food security, published as FAO Fisheries Technical Paper 456.

In fish production, a large share is carried out by the small-scale sector. It is therefore of crucial importance to arrive at polices that safeguard the interests of the small-scale producers not only by enabling them to access international markets but also to obtain prices and margins that let them achieve long-term sustainability from an economic, social and biological resource perspective.

### 4.1. Project objective: improved knowledge of value chain dynamics

The objective of the project is to achieve a better understanding of the dynamics of relevant value-chains in international fish trade and arrive at policy recommendations. The project is analysing the distribution of benefits in the value-chain and the linkages between the relative benefits obtained and the design of the chain. Comparisons are being made between domestic, regional and international value-chains with the view to understand better how developing countries can increase the value derived from their fishery resources.

### 4.2. Case studies

The study is building on available value-chain analyses carried out by other institutions, including those concerning developed countries which will serve as a reference of comparison with value-chains in developing countries.

The study is through the use of about 10 case studies in selected developing countries (Bangladesh, Cambodia, Honduras, Kenya, Malawi, Maldives, Morocco, Mozambique, Peru, Thailand and Vietnam) and two studies from the small-scale sector in developed countries (Canada and Japan) analysing the factors that determine prices and margins throughout the value-chain as well as the distribution of benefits among the various stakeholders. Aquaculture and inland fisheries is also being considered in addition to capture fisheries.

Particular attention is being given to processing in order to compare the difference in value creation from the export of unprocessed and processed fish.

### 4.3. Dissemination of results

The results of the project report is being disseminated through complementary activities of FAO and presented at FAO conferences such as the COFI Sub-Committee on Fish Trade. The results will be used in follow-up work at the field-level and included in specific projects benefiting small-scale operators.

Further dissemination will be carried out at the local level in the countries of study. Particular attention will be given to providing feedback to all local informants, interviewees and their communities.

The project is still ongoing and information is available via website:

http://www.fao.org/valuechaininsmallscalefisheries/background1/en/

# 5. The policy strategy

- Donor agencies working with Fisheries Administrations and the Private Sector to coordinate efforts
- Exchanging experience at international level
- Need a framework to integrate contributions of foreign donors
- Challenge for recipient countries' own agendas: to identify bottlenecks that hold back development of key sectors
- Competitiveness depends on functioning of the entire chain
- Chain analysis to be developed for priority sectors
- Policymakers and practitioners helping local enterprises compete in the global economy
- Value chain analysis a powerful analytical tool, which can be adapted as required
- Value chain analysis can help local enterprises map their own place in the global economy, upgrade their capabilities, and encourage them to improve working conditions
- Policymakers can also use it to identify a more relevant set of stakeholders and a framework for coordinating foreign assistance to local economic development.

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