Development and Change
Published on behalf of the Institute of Social Studies, The Hague

# LINKING UP TO DEVELOPMENT? GLOBAL VALUE CHAINS AND THE MAKING OF A POST-WASHINGTON CONSENSUS



| | |
|---|---|
| Journal: | *Development and Change* |
| Manuscript ID: | DECH-13-015.R1 |
| Manuscript Type: | Original Article |
| Date Submitted by the Author: | n/a |



| | |
|---|---|
| Complete List of Authors: | Werner, Marion; University at Buffalo, SUNY, Geography<br>Bair, Jennifer; University of Colorado, Boulder, Sociology<br>Fernández, Victor; Universidad Nacional del Litoral, |



| | |
|---|---|
| Keywords: | Global value chains, Global production networks, Clusters, Private sector development, Washington Consensus, post-Washington Consensus, Market development, World Bank < General |



| | |
|---|---|
| Abstract: | Over the last decade, the global value chain (GVC) approach, and its associated notions of chain governance and firm upgrading, has proliferated as a mode of analysis and of intervention amongst development institutions. This paper examines the adoption and adaptation of GVCs at four multilateral agencies in order to understand the purchase of value chain approaches within the development field. Mixing GVC perspectives with other theoretical influences and applied practices, these institutions deploy value chain frameworks to signal a new generation of policy that promises both to consolidate, and to advance beyond, the market fundamentalism of the Washington Consensus. To do so, value chain development frameworks craft interventions directed toward various constellations of firm and non-firm actors as a 'third way' between state-minimalist and state-coordinated approaches. We identify key adaptations of the GVC framework including an emphasis on value chain governance as an instrument to correct market failure in partnership with state and development agencies, and upgrading as a de facto tool for poverty-reduction. In short, we find that efforts are on-going to construct a 'post' to the Washington Consensus and the global value chain is enabling this process by providing a new language and new object of development intervention – 'the chain' and the local-global linkages that comprise it. |

# LINKING UP TO DEVELOPMENT? GLOBAL VALUE CHAINS AND THE MAKING OF A POST-WASHINGTON CONSENSUS

Marion Werner, Jennifer Bair, Victor Ramiro Fernández[1]

## ABSTRACT

Over the last decade, the global value chain (GVC) approach, and its associated notions of chain governance and firm upgrading, has proliferated as a mode of analysis and of intervention amongst development institutions. This paper examines the adoption and adaptation of GVCs at four multilateral agencies in order to understand the purchase of value chain approaches within the development field. Mixing GVC perspectives with other theoretical influences and applied practices, these institutions deploy value chain frameworks to signal a new generation of policy that promises both to consolidate, and to advance beyond, the market fundamentalism of the Washington Consensus. To do so, value chain development frameworks craft interventions directed toward various constellations of firm and non-firm actors as a 'third way' between state-minimalist and state-coordinated approaches. We identify key adaptations of the GVC framework including an emphasis on value chain governance as an instrument to correct market failure in partnership with state and development agencies, and upgrading as a de facto tool for poverty-reduction. In short, we find that efforts are on-going to construct a 'post' to the Washington Consensus and the global value chain is enabling this process by providing a new language and new object of development intervention – 'the chain' and the local-global linkages that comprise it.

Keywords: Global value chains, global production networks, private sector development, clusters, market development, Washington Consensus, post-Washington Consensus, World Bank

[1] We gratefully acknowledge the research assistance of Rebecca Rasch, Deb Naybor, and Marissa Bell, funded in part by the Baldy Center for Law and Social Policy, University at Buffalo, SUNY.

## INTRODUCTION

It may not be an exaggeration to describe 2013 as the year of the global value chain. The 2013 *World Investment Report*, the flagship publication of the United Nations Conference for Trade and Development (UNCTAD), was subtitled 'Global Value Chains: Investment and Trade for Development.' The World Trade Organization (WTO) organized its fourth Aid for Trade review around the theme of 'Linking to Value Chains,' and published numerous value chain-oriented reports, as well as a book titled *Global Value Chains in a Changing World* (Elms and Low, 2013). And in September, the Organization for Economic Co-operation and Development (OECD) presented a report, prepared jointly with UNCTAD and the World Trade Organization (WTO), titled *Implications of Global Value Chains for Trade, Investment, Development and Jobs* to the St. Petersburg meeting of the G-20. In a press release explaining the G-20's interest in this topic, the OECD Secretary-General Angel Gurría observed that although '[e]veryone can benefit from global value chains… we will all benefit more if governments take steps to enhance the new business environment.' He went on to note that 'encouraging the development and participation in global value chains is the road to more jobs and sustainable growth for our economies.'[2]

As the Secretary-General's comments suggest, successful participation in global value chains is being posited as both the means to and end of development.[3] To date, little has been written about the circulation of the concept in the development field, however. We begin to address this lacuna by examining the institutionalization of the global value chain approach (GVC), not simply as a framework for studying global production, but also as a tool for promoting development.

Our analysis sheds light on the current conjuncture in the broader development field. As is well known, belief in the market orthodoxies underlying the Washington Consensus has been shaken in recent years by a concatenation of factors. But while the Washington

[2]http://www.oecd.org/newsroom/newapproachtoglobalisationandglobalvaluechainsneededtoboostgrowthandjobs.htm Accessed December 17, 2013.

[3] A global value chain (GVC) refers to the set of value-adding activities involved in the conceptualization, production, and distribution of a particular good or service. Although this concept is only one of several analytical devices developed in the social sciences to investigate the ongoing restructuring of production networks (see Henderson et al., 2002; Raikes et al., 2000), it is by far the most widely used in applied development research and policy.

Consensus is virtually without defenders today, there is considerable debate about whether any coherent 'post-Washington Consensus' can be said to exist, or the degree to which this new approach to development, if it does exist, differs from its orthodox predecessor. Some observers see a more sober and measured view emerging—one that recognizes the important role that institutions and governments play in making markets work—yet others identify more continuity than change in the development arena (e.g. Jomo and Fine, 2007; Onis and Senses, 2005; Serra and Stiglitz, 2008; Stiglitz, 1998).

Recent debates regarding the diffusion of the GVC approach across the development field mirror this larger controversy. Some regard the popularity of the GVC approach as an indication that national governments and international institutions are taking a more enlightened and moderate view of market-led development, while others worry about the degree to which the framework is pressed into service as a new bottle for old wine. The first position has been most clearly articulated by Gary Gereffi, a chief architect and advocate of the GVC framework. In Gereffi's view, a set of interrelated transformations in the world economy, including the rise of Asian economies, shifts in the geography of industrial production, and consolidation of the global supply base, are driving policymakers and practitioners to recognize the importance of promoting competitiveness in global value chains: 'The international institutions that have provided the underpinning for the Washington Consensus…have embraced new heterodox models of development thinking, with an emphasis on sectoral analysis that allows macro issues such as international trade and investment to be linked more closely with the micro development issues of employment, gender dynamics and sustainable livelihoods' (Gereffi, 2014: 15). Precisely because so much economic activity is organized through global value chains, understanding how such chains operate and what prospects they offer for economic actors (e.g. firms, farms, workers) is a prerequisite for successful development. The convergence of different agencies and institutions around the GVC framework, while striking is thus not surprising.

The alternative view is succinctly summarized by Jeffrey Neilson, who interprets the widespread adoption and dissemination of global value chains as evidencing 'the persistent ability of dominant actors and organisations to co-opt social theory and perpetuate prior commitments to a neoliberal development project' (2014: 2). Noting that the GVC approach descends, through Gereffi's earlier work on global commodity chains, from radical political economy, Neilson traces the ways in which the critical content of the value chain concept has been largely evacuated as the framework became adapted to the needs of development agencies and donors. Although the original framework had the potential to inform heterodox thinking, Neilson suggests that the diluted version of GVC analysis being diffused through policy circles today serves primarily to stabilize a development paradigm whose departures from neoliberal orthodoxy are both few and cosmetic.

To be clear, adjudicating the degree to which the value chain turn in development represents the co-optation of heterodox thinking is not our goal in this paper. Such a framing risks an idealistic reflex to call for a more rigorous application of GVC 'first principles' as a solution to the problem of model co-optation (an argument advanced most explicitly by Staritz, 2012), leaving an analysis of how and why models circulate and change unaddressed. Instead, we want to explore the conceptual confusion and indeterminacy around global value chains and value chain development. Thus, while we are attentive to the well-worn debates over the conceptual strengths and weaknesses of the GVC framework, and indeed its disputed status as a critical heuristic, these issues are not our central focus. Instead, we turn the question around and ask what accounts for the popularity of value chain approaches in the current development conjuncture. Or more precisely, what work are value chains doing in the development field?

To answer this question, we studied the institutional pathways of adoption and adaptation that have contributed significantly to the value chain turn in development. Specifically, we examined how the concept of the global value chain has been transformed by four multilateral institutions that represent different varieties of value chain incorporation into development thinking and practice: the United Nations Industrial Development Organization (UNIDO), the International Labour Organization (ILO), the Inter-American Development Bank (IDB), and the World Bank.

We drew theoretical and methodological insights from the emerging field of critical policy studies to make sense of these socio-institutional trajectories of value chains in development, and what these mean for policy construction in the post-Washington Consensus context. We take from this literature an attention to how mobile policy models are made and remade as they travel through networks of innovation, translation and implementation, understanding that policies do not diffuse from 'on high' (e.g. McCann, 2011; Peck and Theodore, 2010). Moreover, we are keenly aware that such policy networks are structured by historical relationships of policy collaboration, and shaped by geopolitics and related ideological formations, as well as differential control over resources—all of which condition the circulation of actors and ideas.

We proceed in five sections. In section two, we introduce the reader to the GVC framework and its core concepts – governance and upgrading – and trace the formulation and revision of the framework as GVC scholars have sought a closer dialogue with development policymakers. In section three, we explain our methodology and then present the institutional trajectories of value chain frameworks at our four study institutions. Scratching below the surface of the apparent convergence around the GVC paradigm, we find more complex trajectories of policy adaptation, mutation, and assimilation, as well as variation in the strength of ties between different development institutions and the academic community that formulated and popularized the GVC concept.

In section four, we draw on our findings to make sense of what role the value chain turn is serving in development. In place of the abstract market of neoclassical economics, the GVC framework offers an empirically tractable model of the global economy as a field of overlapping value chains. In so doing, value chain frameworks have become central to constructing new generation private sector development policies that at once give pride of place to market integration and economic growth, while opening space for more active policies aimed at fomenting the participation of firms (and potentially other actors). Value chains in development highlight the synergies that can be leveraged by coordination along the chain, and present these as additional mechanisms to support the market-facilitating efforts of state and donor agencies. In addition, applied value chain frameworks associate the notion of firm upgrading with the development goal of poverty-reduction, thus strengthening the post-Washington Consensus development discourse of pro-poor growth. In short, by bringing the chain more sharply into view as an object of development, the GVC framework further reconciles the broader focus on institutions and governance proposed by Stiglitz and others with an apriori commitment to market liberalization and economic growth.

## TRANSLATING GLOBAL VALUE CHAINS INTO DEVELOPMENT

Over the last decade, value chains have literally exploded as a sub-field in development policy. One sign of this trend is the very invention of the term 'value chain development,' which entered the lexicon of development practitioners in 2009 (e.g. Fowler, 2012; Herr and Muzira, 2009). Yet even as the term is gaining momentum within the field, there has been some confusion about what precisely it means. In 2010, experts from several United Nations agencies decided to tackle this question by creating a Value Chain Development working group. The group's report found that while nine different UN agencies claimed to be employing the concept of the value chain in their work, there was a marked lack of consensus in terms of how they understood the concept. While some organizations used the term interchangeably with supply chain, for example, others defined it as a distinctive construct that recognizes 'the importance of governance and power' in international production networks (Stamm and von Drachenfels, 2011: 30).

The report of the UN Value Chain Development working group is instructive for two reasons. First, it effectively conveys the sense of confusion that is caused by the simultaneously widespread and *inconsistent* use of the term value chain—a finding that has been echoed in other assessments of the turn towards value chain development (e.g. Pietrobelli and Staritz, 2013). This conceptual indeterminacy exists across, and even within, organizations. Authors evoking a value chain approach do so in ways that are (more or less) informed by multiple and sometimes disparate theoretical and analytical traditions, including business strategy, industrial districts, or supply chain management (see Altenburg, 2007 for a review of theoretical influences). In this sense, value chain development is less a unified paradigm than an assemblage of concepts and tools that can be applied in diverse ways at various levels of analysis. Yet at the same time, the report notes that lurking within the chaotic conceptualization of value chain development is a *particular* approach to value chains as a distinctive and 'specific feature of globalization'

(Stamm and von Drachenfels, 2011: 30). This approach, which emphasizes the role that lead firms play in governing global value chains, owes much to the work of US sociologist Gary Gereffi and his collaborators.

Gary Gereffi initially seized upon the idea of international trade and production networks (initially described as global commodity chains) as a way to study how industrialization outcomes in Latin America and Asia were shaped by the types of linkages connecting economic units (mostly, firms or agglomerations of firms) to global markets. He observed that developing-country producers mostly access such markets indirectly, by becoming suppliers to larger, often foreign enterprises. These so-called ‘lead firms’ have the ability to exercise power over their suppliers by setting the terms for participation in the chain. This insight about the power of firms that serve as gate-keepers to the chain and the implications of their role for suppliers gave rise to the two concepts at the core of GVC analysis: governance and upgrading.

The initial categories of governance formulated by Gereffi were descriptive in nature, and based on the type of lead firm exerting control over a value chain. Gereffi identified two types of governance: buyer-driven and producer-driven. Buyer-driven governance is exercised by retailers, marketers, and other brand-name companies that manage far-flung subcontracting networks of light manufactures, such as apparel, consumer electronics, and footwear. While the lead firms governing buyer-driven chains make the key decisions about what is produced, where, and at what price, they typically manufacture little to none of the merchandise sold in their stores or under their labels (Gereffi, 1994). In the case of producer-driven chains, lead firms are more likely to engage in manufacturing, and although some degree of subcontracting is also increasingly common in producer-driven industries (especially for lower value-added components), a larger percentage of the production process is carried out within the organizational boundaries of the lead firm.

How a chain is governed, in turn, shapes the ability of participants to improve their position within it, chiefly the capture of greater ‘value-added’ at the level of the firm and/or local economy (Dolan and Humphrey, 2000; Gereffi, 1999; Gibbon and Ponte, 2005). This process of increased value capture is referred to as upgrading. Just as early contributions to the literature on value chains focused on elaborating a typology of governance, so too did scholars draw from their empirical research on (mostly) developing-country firms to identify different forms of upgrading. Particularly important was a paper by Humphrey and Schmitz (2002) that identified four types of upgrading in global value chains: 1) process upgrading (e.g. improving efficiency or productivity); 2) product upgrading (e.g. shifting to higher value-added products); 3) functional upgrading (e.g. acquiring new capabilities or moving into new 'links' in the chain) and 4) inter-chain upgrading (e.g. moving from a global value chain in one industry to another). The concept of upgrading was soon criticized, however, for focusing too narrowly on firm-level competitiveness. Such a model seemed premised on a trickle down view of development while ignoring the question of how gains from upgrading were distributed to workers and translated into more secure employment and better working conditions.

In response, GVC scholars acknowledged the need to distinguish between two different dimensions of upgrading: economic upgrading, which refers to the process of value capture at the firm level, and social upgrading, which refers to the process of improving the rights and entitlements of workers as social actors and enhancing the quality of their employment (Barrientos, Gereffi, and Rossi, 2011). If the first generation of GVC studies focused primarily on identifying the relationship between governance and upgrading, the current research frontier is investigating the relationship between economic upgrading and social upgrading. However, upgrading of either sort is by no means a guaranteed outcome of participation in a global value chain (Kaplinsky, 2000).

Alongside the elaboration and expansion of upgrading as the key outcome of interest, GVC scholars also focused on refining the notion of governance as the framework's key independent variable. First, researchers pointed out that the producer-driven and buyer-driven types were developed to describe the governance of industrial value chains, and as such they did not necessarily capture the dynamics of production networks for agricultural commodities (see Dolan and Humphrey, 2000; Gibbon, 2003). Second, novel forms of governance were identified within the manufacturing sector too, as the number of industries studied from a GVC perspective increased (Sturgeon, 2002).

These criticisms led to the specification of a new model of GVC governance (Gereffi et al., 2005). Instead of identifying, as the earlier buyer-driven and producer-driven dichotomy did, *who* wields power in a chain, the newer theory of GVC governance aims to predict *how* exchanges are coordinated (see Bair, 2005; Gereffi et al., 2005). This theory conceives of governance as an outcome of three independent variables: the complexity of the transaction occurring between two firms, the degree to which information necessary for the transaction can be codified, and the capabilities that exist in the supply base relative to these characteristics of the exchange. While it has proven widely influential, the new model of 'governance as coordination' has not necessarily displaced the earlier formulation of 'governance as driven-ness' (Gibbon, Bair and Ponte, 2008). Indeed, both formulations of governance occasionally circulate within the applied development field.

These revisions and elaborations of the GVC framework took place in the context of an expanding international academic collaboration among scholars that became known as the Global Value Chain Initiative.[4] Core researchers affiliated with this group actively sought to develop ties more directly with policymakers, eventually securing funding from the Rockefeller Foundation to support a series of meetings and workshops among academics and between academics, policy makers and non-governmental organizations (Sturgeon, 2008). Participating scholars took a pragmatic approach as they sought to identify the value-added of the value chain framework to the policy debate; accepting the reality of market liberalization, they argued that development institutions provided 'little guidance to policymakers and non-governmental activists dealing with the concerns of workers, communities and industries… in the midst of wrenching change' (ibid: 112). Addressing these challenges required a practical, grounded theory 'characterized by simplicity, easy applicability in the face of variety, and resonance with real-world situations' (ibid.). Accordingly participants began to focus on translating GVC concepts into tools that researchers and practitioners, including those working in development agencies and institutions, could take into the field (e.g. IDS Bulletin 32: 3; Kaplinsky and Morris, 2001).

The formulation and revision of the key value chain concepts of governance and upgrading are clearly an important part of GVC scholars' efforts to find an audience for

[4] The Global Value Chain Initiative was founded in 1999 following a workshop with more than three dozen mostly North American and European academics from numerous institutions. A brief description of this meeting and subsequent workshops of the Global Value Chain Initiative can be found at http://www.globalvaluechains.org/news.html

their work amongst development agencies and policy makers. The flexibility of these concepts, and their elective affinity with the broader *weltanschauung* of the post-Washington Consensus, has no doubt enabled the success of GVC analysis within the development field. Nonetheless, the adoption and adaptation of value chains in development is neither solely attributable to this elective affinity, nor reducible to the work that GVC academics have done to translate their knowledge into an applied method. In what follows, then, we look at the circulation of value chain approaches within four key multilateral institutions that have promoted them as analytical frameworks and tools for intervention.

## ADOPTION AND ADAPTATION OF VALUE CHAINS IN DEVELOPMENT: AN INSTITUTIONAL COMPARISON

To understand how value chains have circulated within development policy, we analysed the ebb and flow of value chain approaches in four multilateral institutions: UNIDO, the ILO, the IDB, and the World Bank. We selected institutions that mobilized value chains significantly in their own publications and that play different roles in development policy. Rather than continually adjust our sample to incorporate more recent prominent institutional players (such as UNCTAD and the OECD), we remain focused on this subset of organizations to demonstrate change over time. Our analysis begins in the late 1990s when GVCs began to make incursions into research sponsored by the ILO and UNIDO. We focus more centrally, however, on the past decade, particularly from the mid-2000s onwards when multilateral donors began to engage with the concept, and when UN development organizations adapted the value chain approach to their private sector programs, inventing the notion of 'value chain development' as a broad mode of intervention.

We relied primarily on document analysis, based on a total sample of ninety-one documents. We selected four types of documents using institutional databases, and one multi-donor database: research reports, project documents, methodological or practice-based guides and a small number of self-studies that evaluate the application of the value chain concept at a given institution. We also selectively analysed guides produced by bilateral value chain programs widely cited by our target UN institutions. Our focus, however, remained on multilateral institutions because the possibility for the value chain concept to operate as part of a new development consensus ultimately rests upon its uptake by these bodies, particularly multilateral donors.

Our analysis of value chain materials revealed significant shifts in the concept over time and amongst different units within our study institutions (e.g. internal research departments and project development offices, in addition to the varied presence of external consultants). This strong intra-institutional variation adds an additional layer of complexity to current observations that have noted solely inter-institutional differences (e.g. Gereffi, 2014). To deepen our understanding of this variation, we undertook key informant interviews. Eight interviews were conducted with current or former staff that had developed value chain research and/or projects at our study institutions. We conducted an additional interview with a leading GVC academic who has interacted with all of our study institutions as an external consultant. Interviews ranged from one to three hours in length. Our informants shared their understandings of how the value chain concept had become important (or not) to the work of the institution, and what sorts of institutional pressures and internal conflicts contributed to this outcome. Our selection of institutions, documents, and key informants drew upon our knowledge of the GVC framework and research network, as well as Latin American trajectories of policy circulation.[5]

Finally, while the scope of our paper does not permit an in-depth analysis of value chain projects, we note shifts in institutional priorities and funds vis-à-vis value chain frameworks where data are available, and provide select project examples that are used as models in the practitioner literature. We have also benefited from project reviews and analyses authored by Humphrey and Navas-Alemán (2010) and Altenburg (2007), which offer additional insights at the project level. In short, while we do not claim to provide an in-depth exploration of how value chain development is playing out 'on the ground,' we

[5] For example, see Bair (e.g. 2005; 2009), Werner (2012), and Fernández (e.g. Fernández et al. 2009; 2014).

believe that future research addressing the effects of the value chain turn in development will benefit from the institutional analysis we develop here.

**United Nations Industrial Development Organization**

The GVC framework was incorporated into the work of UNIDO in the early 2000s, largely via scholars based at the Institute of Development Studies (IDS), a key British node in the international network of GVC scholars referred to above. At the time IDS researchers were enthusiastic about the potential of the global value chain framework to inform development research, particularly as a complement to the highly influential 'clusters' paradigm. Based largely on the developmental success stories of industrial districts in Italy and Germany, the 'clusters' approach became prominent among scholars in the 1980s. As a development paradigm, 'clusters' referred to the idea that agglomerations of small and medium enterprises (SMEs) could achieve 'collective efficiency' and thus, take a 'high road' to competitiveness, if they adopted collaborative forms of networking and were supported by sector-specific institutions.

A spate of research on developing-country clusters was conducted during the 1990s, much of it by researchers affiliated with IDS. In general, this work revealed that the focus of the clusters model on industry organization and internal governance—for example, the promotion of horizontal networks among local firms—was insufficient for understanding how clusters fared because their performance was affected by external forces, such as the preferences and practices of foreign buyers sourcing from (some) producers in the cluster (Altenburg and Meyer-Stamer, 1999; McCormick, 1999; Schmitz, 1995; Schmitz and Nadvi, 1999). It was precisely the focus on extra-territorial networks and governance dynamics in global industries—dimensions that were underemphasized in the cluster approach—that made the GVC framework appealing to development scholars.

The first programmatic statement of the potential synergies between the 'local' clusters paradigm and the 'global' value chain framework came in 2000 in the form of an IDS working paper authored by two scholars who were founding members of the Global Value Chains Initiative. This paper is notable both for introducing what became the most widely-cited typology of upgrading trajectories (the categories of process, product, functional, and inter-chain upgrading mentioned above), and for making the connection between the upgrading prospects of clustered firms and the governance dynamics of the global value chains in which these firms participate (Humphrey and Schmitz, 2000). The following year, two academics consulting for UNIDO (also members of the Global Value Chains Initiative) authored a report on 'Integrating SMEs in Global Value Chains,' which was published by UNIDO's Private Sector Development Branch (Kaplinsky and Readman, 2001).

In 2002, UNIDO's annual flagship publication, the *Industrial Development Report*, featured an extensive discussion of global value chains, highlighting the consequences of producer-driven and buyer-driven governance structures for the upgrading prospects of developing country producers. The relationship between governance and upgrading was further pursued in a series of sector-specific studies that were commissioned by UNIDO and conducted by scholars affiliated with the Global Value Chains Initiative. Designed to answer the general question 'what prospects for upgrading by developing countries' do value chains offer, this research on the value chains for autos, furniture, and apparel detailed how suppliers in developing countries were impacted by broader industry developments and the decisions lead firms made regarding their production and/or sourcing networks (Gereffi and Memedovic, 2003; Kaplinsky et al., 2003).

The sectoral studies and related publications on global value chains and upgrading (e.g. Morris and Barnes, 2009), often produced by external consultants for UNIDO, were essentially diagnostic in nature. They did not report on concrete program or prescriptions designed from a value chain perspective; rather, based on the premise that any successful interventions to support producers would have to begin with an understanding of the industry context, they offered assessments of important trends in the evolution of particular value chains. Thus, in its initial mobilization at UNIDO, the GVC framework appears to have functioned more as a general orientation affirming the importance of external linkages between, say, local enterprises that are participating in UNIDO's technical assistance programs and the market actors that these firms hope to supply.

More recently, the extent and tone of UNIDO's engagement with global value chains has changed somewhat as the institution shifted from commissioning analyses of GVCs to developing its own tools that other actors, including private sector and government officials of UNIDO's member-country governments, can use to conduct their own diagnostic studies. This turn towards developing a more unified, applied approach to value chain development began in earnest in 2008 with a study of how various branches of UNIDO were conceptualizing value chains in their work. The resulting working paper found multiple influences behind the use of the value chain approach by different groups within UNIDO, including: 1) Firm-level value chain (associated with the work of Michael Porter); 2) Supply chain management; 3) Clusters; 4) Global Value Chains; and 5) Innovation Systems (UNIDO, 2009). Of these, only the third descends clearly from the relatively coherent approach to global value chain governance and upgrading associated with members of the Global Value Chains Initiative, while the other four draw from quite distinct theoretical traditions.

Following the release, circulation, and discussion of this working paper, UNIDO turned towards developing a comprehensive tool that would lay out best practices for value chain development. The resulting publication, 'Diagnostics for Industrial Value Chain Development,' is a 114-page document that 'programme designers, managers, and other stakeholders in value chain development in the private, public and development/NGO sectors can use' to develop a detailed map of a value chain along seven analytical dimensions, and to identify 'constraints to and opportunities for value chain development' (UNIDO, 2011a: xiv). A similar, though less elaborate tool, has also been developed by UNIDO for agro-industry value chains (UNIDO, 2011b), a sector that is regarded as particularly important for the promotion of pro-poor growth via value chain participation.

These most recent publications signal a shift within UNIDO from a phase of *value chain analysis* to a phase of *value chain development*. In the former, academics with close ties to the Global Value Chains Initiative conducted studies commissioned by UNIDO that provided an overview of key developments within industries, particularly with regard to governance dynamics and the behaviour of lead firms—a kind of 'market research' that could be used by UNIDO staff to develop specific programs. The second phase involves programs to promote value chain development—that is, interventions in the value chain that assist a particular group of producers to upgrade their operations.

## The International Labour Organization

The ILO was the first international organization to adopt a value chain approach in the mid-1990s, drawing on academic GVC research. A series of projects coordinated by the ILO's research arm, the International Institute for Labour Studies (IILS), explored how a chain approach could inform the study of employment in global industries. These endeavours did not extend to other units of the institution, however, and no immediate, long-term incorporation of a value chain perspective resulted from this early initiative.[6]

Value chains re-emerged at the ILO in the mid-2000s. A self-study of the ILO's value chain portfolio found that the number of value chain projects grew from only three in 2005 to twenty-seven in 2011, totalling $219 million dollars in project funding (Núñez and Sievers, 2011). Despite this growth, the trajectory of value chains at the ILO is highly specific and variable within the institution. There are two distinct modes of institutional incorporation reflecting substantial differences. First, reviving the earlier initiatives to investigate the effects of buyer-driven dynamics on labour conditions in the apparel industry, the ILO established the Better Work program in 2007. Co-sponsored by the World Bank's International Finance Corporation (IFC), the Better Work program develops monitoring and enforcement mechanisms at the factory level in the garment industry. The program is associated with key academics in the GVC Initiative, now organized into a new research network called Capturing the Gains. Nonetheless Better Work, and the associated research group, constitutes a relatively small and specific portion of the value chain work at the ILO (Núñez and Sievers, 2011).

The principal way that value chain approaches have been incorporated at the ILO is via the organization's long-standing work on small enterprise development, coordinated by the Job Creation and Enterprise Development department (henceforth, Enterprise Development). Similar to UNIDO, value chains were introduced initially via publications and reports prepared by, or heavily based upon, the work of key GVC/clusters scholars (e.g. Humphrey, 2004; Schmitz, 2005). Subsequent to these early publications, however, the ILO made less use of academic consultants and the academic GVC literature, turning

[6] The IILS took a special interest in the buyer-driven governance dimension of the apparel sector—a focus that complemented the work of the ILO's Special Program on Export Processing Zones, which, at the time, was addressing the problem of poor working conditions in the industry.

instead to in-house staff to author the bulk of the institution's applied value chain literature, a voluminous quantity including widely-cited guides, manuals, and toolkits (e.g. Herr and Muzira, 2009; Mayoux and Mackie, 2007). These publications claim expertise based upon past ILO project experience and the Enterprise Development department's established programs and training modules in small business development, while they draw substantially upon materials written by key private sector development consultants (e.g. the Springfield Centre in the UK) and bilateral donors (e.g. the UK's Department for International Development, or DFID).

Consistent with the bilateral agencies that fund much of this work, the Enterprise Development department deploys value chains as a complement to 'new generation' private sector development policies variously called market development, systemic market development, or making markets work for the poor (abbreviated as M4P). Drawing upon New Institutional Economics and theories of systemic competitiveness, several bilateral donors (i.e. DFID [UK], SDC [Switzerland], and GTZ [Germany]), a multilateral bank (i.e. Asian Development Bank), and a number of UN agencies developed or adopted market development frameworks in the early 2000s (e.g. DFID, 2005). The goal of these policies is to reduce poverty by enabling increased market participation and/or increased returns to poor people working and consuming in market contexts.[7] Commensurate with the post-Washington Consensus turn, proponents of market development approaches see market-liberalization policies as a necessary, but insufficient, condition of growth *qua* development. For example, in the introductory chapter to the ILO's Value Chain Development guide, the authors write:

> [This guide] reinforces the inclusive market development approach, which recognizes that conventional policies for market restructuring and reform, such as liberalization and privatization *cannot simply be assumed to reduce poverty*. On the contrary, an inclusive market development approach accepts that explicit methods must be considered in order to encourage and promote participation by the poor. (Herr and Muzira, 2009: 10, emphasis added)

Such statements simultaneously accept the connection between market development and poverty reduction, while carving out a space for policies to foment the participation of, or

[7] The framework in part shares the conceptual approach of the Bank's World Development Report (WDR) *Attacking Poverty* (2001, see Chapter 4; and Wade, 2002, for a discussion).

the returns to, the capital- and/or land-poor. In the case of the ILO, the target group also explicitly includes workers who earn low wages or are subject to unhealthy working conditions.

The ILO advances what it calls ‘light touch’ interventions which cast donors and local governments principally in the role of market facilitators as part of projects that are ‘as “market driven” as possible’ (Nuñez and Sievers, 2011: 5). While market development approaches do not rule out the possibility of intervening at the level of individual firms or inter-firm linkages they emphasize broader institutional constraints to effective market participation such as deficits in market-supporting services, infrastructure and institutions, as well as tangible and intangible norms, regulations, laws, and practices. Associated projects claim to address these deficits, which are understood as barriers for ‘the poor’ either to access, or to improve their returns within, goods and services markets (e.g. Miehlbradt and McVay, 2005).

In the context of the turn to market development and poverty-reduction, the ILO has expanded the scope of its applied value chain work. While in the mid-2000s, the Enterprise Development department was promoting value chain analysis as a participatory project tool to create tailored, sectoral interventions, by the end of the decade, the department had coined the term ‘value chain development’ (VCD) to describe a broad range of interventions guided by the aforementioned principles of market development. ILO materials propose VCD as a field that moves away from a narrow focus on particular value chains and their deficits, which are defined as symptoms of market failure, to ‘underlying causes’ at the heart of the market system (Hakemulder and Sievers, 2010; Herr and Muzira, 2009).

To demonstrate briefly how the turn to value chain development transposes the concepts of governance and upgrading from GVC analysis and combines them with a market development approach, we conclude this section with a brief discussion of a project called Enterprise Growth in Sri Lanka. This project has been widely cited and has served as a model for two ILO guides (e.g. Herr and Muzira, 2009). The project targeted three value chains: export floriculture, domestic dairy and domestic and export coir fibre. The floriculture example is particularly instructive. A value chain analysis of the sector identified three principal problems, framed as proximate constraints on value chain participation: poor quality supply from small growers, poor input and service suppliers, and lack of credit for growers. These deficits were, in turn, seen to result from a variety of causes at the level of the 'market system' relating to 'weak information, poor communication, and poor coordination' along the chain (Barlow, 2011: 22). Project analysts interpreted chain governance issues (i.e. the limited bargaining power of small growers) primarily in terms of horizontal coordination problems among suppliers or information deficits along the chain. For example, one report cited complaints by growers of the mercantile role of collectors who were perceived to be 'taking' rather than 'adding' value; the project prescribed training programs for collectors in order to transform them into 'service and information providers' (EDB, 2008: 20–21).

This recommendation was consistent with other interventions promoted by the project, which focused upon facilitating information along the targeted chains through workshops and trainings, and through the formation of horizontal associations.[8] In the small and medium coir fibre mills, for example, practitioners analysed poor working conditions primarily as functions of information deficits (e.g. employers not being aware of labour department rules, see Herr and Muzira, 2009: 101; 142–3). Upgrading strategies were associated with facilitating information and increasing horizontal coordination, together with targeted interventions to boost firm efficiency (ibid.). Consistent with this project and others we reviewed, the concept of upgrading as advanced by the Enterprise Development department corresponds primarily to the idea of promoting market access for small producers and improving efficiency in production; little attention in the applied ILO literature is given to governance and vertical power dynamics that may limit small suppliers' capacity to boost their returns within value chains, nor is functional upgrading a strong focus (see also Neilson, 2014).

**The Inter-American Development Bank**

Value chains were introduced at the IDB as a complement to the institution's work on small enterprise development guided by the clusters paradigm in the early 2000s. As

[8] In general, project documents describe the role of producer associations primarily in terms of facilitating service and information provision, rather than building the bargaining power of small producers.

noted in our discussion of UNIDO, by the late 1990s, key proponents of the clusters model began to revise the framework by engaging with GVC scholars in light of the former's limitations in the context of global industries. This shift led the IDB's Micro and SME Division to sponsor a multi-year study of the nexus between these two approaches (see Giuliani et al., 2005; Pietrobelli and Rabellotti, 2006). The question motivating this research was how both collective efficiency gains produced through horizontal inter-firm coordination and private-public co-operation *and* the governance of clusters in global value chains contributed to SME upgrading, understood in terms of increasing relative returns both within local clusters and global chains. Similar to UNIDO, the authors drew heavily on the reworked clusters framework developed by IDS in the UK (e.g. Humphrey and Schmitz, 2000); moreover, the scope of this work went beyond the long-standing sectoral focus on light manufacturing in the clusters literature to incorporate a host of other productive sectors. Overall, however, while the authors claimed that GVCs were an important complement to clusters, they argued that in Latin America the potential for SME upgrading rested more strongly on cluster dynamics. Another IDB research publication expressed more explicit reservations about the synergies between clusters/local economic development and value chain linkages. The author argued that 'the latitude for local, collective upgrading efforts tends to diminish as the lead companies in global value chains take over the role of governing upgrading' (Meyer-Stamer, 2005: 231). In short, the privileging of clusters in these research outputs reflected the IDB's institutional commitment to local economic development paradigms and the complementary, but relatively tangential, focus on GVCs in the early to mid-2000s.

Since the late 2000s, value chains have clearly become a more dominant discourse at the IDB, signalled by an increasing emphasis on 'lead firms' as development partners and the declining influence of the clusters paradigm. Notwithstanding this trend, most of what is labelled as value chain work remains focused upon small and medium enterprises. We also note that the IDB – unlike UNIDO and the ILO -- has not produced significant practitioner-oriented materials; materials tend to be analytical in nature and mostly produced by external consultants.

In their analysis of the IDB's value chain portfolio, Pietrobelli and Staritz classify 132 projects as Value Chain Interventions, totalling $1.09 billion dollars since 2000 (2013).

Based on this sample, the authors identify three types of projects: those supporting small producers to access higher value agricultural markets; projects to diversify markets and upgrade production processes among medium and large firms in manufacturing; and interventions to promote the adoption of environmental and social standards among small producers. Despite the large size of the portfolio, the authors acknowledge little coherence amongst projects, and weak application of GVC concepts.[9] Indeed the number is likely a better measure of how the value chain term has been used to re-label private sector development schemes as well as some public-private partnership projects.

The IDB's second largest private sector lending agency, the Multilateral Investment Fund (MIF), executes the vast majority of value chain projects, primarily in agriculture, although other low-capital sectors are also funded, such as recycling and handicrafts. These technical assistance grants work through development contractors to provide technical and business trainings, to foment links to foreign buyers, and to support producers to shift to higher value production (e.g. organic); projects may also include a credit component (Fernandez-Stark and Bamber, 2012). Recently, the MIF's value chain work has focused more on partnerships with multinational corporations to secure supplies for the latter's operations (e.g. Haitian mangos for Coca-Cola's Odwalla juice brand). While practitioners recognized the potential for such lead firm-driven projects to exacerbate the unequal power dynamics between small suppliers and MNCs, no IDB or MIF literature has addressed such concerns to our knowledge.

Finally, in 2012 alone, the IDB co-sponsored two high-level conferences in Costa Rica and Mexico on GVCs in Latin America, and organized its own GVC conference in Argentina. A principal goal of the Costa Rica conference, as well as the IDB's recent Aid for Trade report (2013), was to facilitate interactions between multinationals, first-tier suppliers and Latin American governments on strategies to support upgrading of first-tier firms within global production networks. Unlike the strong SME focus of much of the IDB's value chain work, here, proponents assert that governments, with the support of donors, can use the value chain perspective to craft tailored, new generation industrial policies geared towards upgrading subcontractors in higher technology industries such as

[9] As Pietrobelli and Staritz write, 'there appears to be limited overview and coordination of and no common understading or framework for such interventions, which makes identifying them inside the IDB difficult' (2013: 25).

electronics, medical devices and aeronautics. These strategies are described as 'demand-driven' because they are responsive to – and developed in dialogue with – MNC buyers and/or investors. While these efforts are far too preliminary to offer any assessment, we simply note the distinction between the predominant focus on SMEs in lower technology value chains at the IDB and current policy conversations that posit the development of a value chain approach where countries focus on functional specialization within more capital-intensive industrial and service chains. In this context, strong emphasis is being placed on the benefits of lead firm governance for learning, technology transfer and, ultimately, functional upgrading, while the reservations about the possible downsides for local development strategies, voiced earlier in relation to the clusters framework (i.e. Meyer-Stamer, 2005), appear to be muted.

### The World Bank

The World Bank is by far the largest institution in our sample, a fact that makes tracking value chain approaches especially challenging. In addition, to our knowledge, and unlike our other cases, the Bank has not produced its own narrative about the extent to which value chains have become important to the institution's work.[10] Nonetheless based on our interviews and literature survey, we have been able to detect distinct institutional channels through which value chain perspectives have become more prominent at the Bank. We must note that explicit value chain perspectives have, until now, been deployed primarily in research and analysis produced by specific departments within the Bank. It is likely, however, that the high-level policy dialogue on global value chains underway at the time of our writing will begin to have more of an impact on lending in the near future.

Value chains initially became part of the Bank's discourse in the area of private sector development. In the 2000s, the World Bank adopted a series of reforms in part as a response to critiques of the focus on privatization under the Washington Consensus. Many of these reforms in fact expanded the ambit of private sector development policies and introduced new methods and tools to boost both SMEs and foreign investment in

[10] The first and only World Development Report (WDR) to discuss value chains explicitly is the 2008 report on agriculture. The report does not offer a conceptual treatment of the term, however, and uses it largely as a synonym for 'supply chain'.

developing countries (World Bank, 2003). Among these tools, the Bank created systematic investment climate assessments (ICAs) that benchmarked all countries along a series of comparable indicators with the aim of enhancing competition to create 'enabling environments' for business. The latter notion is associated with strong protections for property and investors, deregulation of labour markets, and administrative facility for registering and operating businesses. Driven by this general approach, ICAs surveyed governments, gathered data on regulatory policies, and subsequently developed comparable indicators on developing countries' 'openness' to business (reported annually in the Bank's *Doing Business* series since 2003).

The Bank's Foreign Investment Advisory Service (FIAS), housed within its private sector lending arm, the IFC, introduced a highly quantitative version of value chain analysis as a complement to the ICAs in the mid-2000s.[11] FIAS surveyed firms in given industries to generate sector-specific regulatory and performance data, which analysts then used to benchmark the performance of these sectors across countries (FIAS, 2007). These value chain assessments were largely focused upon quantifying regulatory constraints to business performance. Ultimately, they produced a set of policy recommendations similar to those of the Washington Consensus, differing only in their sectoral specificity. FIAS recommendations called for countries to reduce tariff and non-tariff barriers, to privatize ports and other major infrastructure, and otherwise to craft policies that would attract foreign direct investment (ibid: xii). In addition, and in contrast to Washington Consensus-type policies, these value chain studies also highlighted individual firm inefficiencies and firm-to-firm transaction costs stemming from certain forms of market failure, as opposed to solely regulatory barriers. Recommendations stemming from these market constraints were not dissimilar to a GVC notion of upgrading, such as seeking product or market diversification and developing backward linkages (ibid.).[12]

[11] One result of this FIAS work was the incorporation of a 'trading across borders' framework in the Doing Business reports beginning in 2005-2006.
[12] We reviewed ten value chain studies written primarily by FIAS or the IFC, for example on Mozambique (tourism), Kenya (cut flowers, coffee), and Sub-Saharan Africa (garment, shrimp, pineapple).

The FIAS value chain approach had a considerable impact on private sector policies promoted by the IFC, particularly in agri-food industries. The IFC drew upon FIAS-type value chain analysis to promote projects that financed lead firms to provide technical assistance to their suppliers (see Neilson, 2014 for a discussion of this shift in Indonesia). For FIAS and the IFC, such lead firm projects enhanced the salutary effects of lead firm governance, ultimately fomenting supplier competitiveness. In a report on Cambodia, for example, the authors argued that, '[t]he key lesson of… value chain programs around the world is that private value chain participants, formally or informally, can address a number of institutional and incentive problems without relying heavily on public sector capacity'(World Bank, 2004: 75). The shift to lead firm projects in agriculture parallels our observations at the IDB's MIF, but on a much greater scale.[13]

In recent years, value chains at the Bank have been incorporated into the work of the Bank's Trade Department, housed within its Poverty Reduction and Economic Management (PREM) network. In 2008, PREM contracted academic GVC experts to analyse the effects of the global economic crisis on developing-country firms, and to identify new trends in south-south trade. The publications and working papers that have resulted – authored by GVC experts, PREM researchers, or collaboratively between them – broadly reframe the goals of trade and development policy in terms of linking up to, or capturing a 'slice' of, the global value chain. From the view of its proponents, the GVC approach that is being advanced by PREM opens space for targeted policies which work within the governance structures of value chains to create opportunities for new entrants and greater value capture in developing countries. Again, similar to the IDB, advocates frame such an approach as a sort of 'demand-driven' industrial policy, although the language of industrial policy is not used. Upgrading remains the dominant discourse and objective of this approach, wherein competitiveness within value chains offers the possibilities for developing country firms to 'move up' to higher value niches (e.g. Cattaneo et al., 2010; World Bank, 2011).

The PREM materials place particular emphasis on the interactions between trade policy and supplier upgrading in the context of a global economy comprised of ever more

[13] For critical analysis of the value chain turn in agriculture, see McMichael (2013) and Neilson (2013).

complex and integrated GVCs. In a recent paper outlining a strategic framework for GVCs, the authors argue that the shift to a world of trade within GVCs translates into an imperative to become an efficient importer as a prerequisite for entering, and capturing more value within, global value chains (Cattaneo et al., 2013). Firms that enter value chains by processing imported components may upgrade in time to substitute those imported parts, and eventually to become competitive exporters (ibid: 7). Thus, GVC participation is argued to '[challenge] the mercantilist approach to trade and trade negotiations, where the focus is on market access and the reciprocity of concessions. The new trade paradigm, by contrast, would reward unilateral opening that most efficiently reinforces the country's competitiveness' (ibid: 19). Such orthodoxy is meant to complement new generation policies geared toward enhancing the prospects for local producers to upgrade within GVCs. Governments can adopt policies that enhance the reciprocity between suppliers and multinationals through voluntary production-sharing arrangements, for example, and by implementing rewards and incentives, such as tax deductions, to reimburse foreign firms for their costs in assisting local industries to upgrade (ibid: 36).

Clearly, the GVC perspective and attendant policy implications described here remain preliminary. Nonetheless, the incorporation of GVCs through a trade lens at the World Bank, as opposed to the hitherto dominant association with private sector development, has marked a turning point. Since 2010, GVCs are gaining considerable attention within an ever-growing number of high-level multilateral fora. PREM researchers and GVC scholars are now working with the World Economic Forum's committee on advanced manufacturing, for example. In addition, the focus on trade has catalysed significant inter-institutional collaboration to develop value-added trade statistics, an effort pioneered by the Japanese research and development agency IDE-JETRO, and now expanded to include participation from UN Comtrade, the OECD, UNCTAD, and the WTO (Elms and Low, 2013). Although beyond the scope of our current investigation, the growing ability to quantify, measure and benchmark country participation and value capture within GVCs promises to become a powerful analytical tool, no doubt with important policy implications.

## INTERPRETING THE VALUE CHAIN TURN IN DEVELOPMENT

Our findings complicate bold assertions that the development field is coalescing around the global value chain framework as a single paradigm. In order to forge an alternative interpretation, we begin by identifying certain shared modes of adaptation among our case study institutions, and draw out some similarities between the intra-institutional shifts at the IDB, UNIDO and the ILO, on the one hand, and those at the World Bank, on the other. Then, drawing upon all four cases, we revisit the key concepts of governance and upgrading to consider how each has been redefined and deployed in the shift to an applied value chain approach. Throughout our analysis, we consider how notions of the state and the market are being shaped by value chain discourses and the implications for development policy.

### The Value Chain as a Sign for New Generation Private Sector Development Policies

Throughout much of the 1990s, the idea that privatization, property rights, and deregulation would unleash the 'pent-up entrepreneurial *elán*' of developing country producers dominated private sector development policy (Cramer and Bayliss, 2001: 60). As we have seen, UNIDO and the IDB deviated slightly from this orthodoxy early on by introducing the clusters framework to developing country contexts. The clusters model gained traction because of its broad compatibility with the Washington Consensus, and yet it simultaneously departed from it in its attention to the role of non-market institutions and industry-specific approaches, both of which have since become integral to the post-Washington Consensus turn.

With the eventual subordination of clusters to value chains at UNIDO and the IDB, and the incorporation of value chains into the market development framework at the ILO, the toolbox for conceiving of the market as a realm for development intervention has been significantly expanded. Value chains in particular offer the possibility of framing inter-firm interactions as objects of policy, in addition to the firm-non-firm links that are more prominent in clusters and market development approaches. Value chain analyses thus enable more targeted interventions, directed at firms in a particular sector or along a specific supply chain; in so doing, they appear to respond to the critiques of the ‘one size fits all’ private sector development policies associated with the Washington Consensus period (Schulpen and Gibbon, 2002). While specifying the market as a set of context-specific inter-organizational relationships, value chain projects nonetheless circumscribe their actions within existing market systems, thus reinforcing the priority of market signals (i.e. prices) as the ultimate arbiters of market participation and the principal mechanism whereby returns are distributed.

Although the value chain lens brings the extra-territorial inter-firm nexus into sharp relief, the outcomes of such a perspective in applied contexts are ambiguous at best. At UNIDO and the ILO, ‘value chain development,’ coined separately by each institution, is primarily focused upon horizontal relations amongst producers in a given place, calling into question the actual purchase of an applied value chain approach at these institutions. At the IDB, while lead firms are being incorporated as development partners, the extent to which these partnerships are informed by a GVC perspective is also questionable. Thus, in all three of these cases, our findings concur with those of other studies that have foregrounded the fuzziness of the value chain as an applied construct (e.g. Stamm and von Drachenfels, 2011) and provide some support for the view that the framework is being used in ways that suggest continuity with Washington Consensus-era approaches than change (Neilson, 2014).

If we find little evidence of a shift towards substantively new approaches to addressing the dilemmas of developing country producers, however, it is clear that institutions are effectively constructing value chain development as a ‘post’ to the Washington Consensus through the scalar and/or institutional lens that it affords. Applied value chain literatures appeal to sector, inter-firm, chain or cluster ‘levels’ of intervention, emphasizing a distinction from macroeconomic reform (the latter as necessary but not sufficient), and positioning the framework as an institutional third way between state-directed interventions and strong market liberalism. Indeed, although the value chain in development might be described as an empty signifier, this fact *does not* diminish the overall effect of the invention of value chain development, which is to signal a new generation of policies that promises both to build upon, and to advance beyond, Washington Consensus reforms. In other words, the value chain in development can be understood as a discourse that articulates interventions that are 'market-led' while simultaneously marking a distance from the 'level playing field' policies associated with the Washington Consensus era.

It is the latter ideal that continues to be dominant at the World Bank, even as the value chain perspective appears to be gaining in importance. The work undertaken in the mid-2000s by FIAS/IFC incorporated the value chain largely as a tool to generate metrics that would bolster such a hands-off 'enabling environment' approach. Unlike our other cases, where a value chain perspective has underscored the role of the state as an institution to be actively engaged in 'light touch' market facilitation, at the World Bank, value chain analysis has been deployed to construct the state as a barrier to market functioning, thus reproducing familiar deregulation and free trade nostrums. GVC proponents assert that the value chain perspective currently gaining ground via the PREM network differs from this prior trajectory, and is in fact capable of introducing more active, targeted, market-constructing types of interventions supported by states. Even such a modest shift faces significant institutional barriers as it seems unlikely that the dominant mode of private sector engagement at the Bank will yield easily; and if the strategic framework document is at all indicative of the kinds of value chain policies to be promoted by the Bank in the future, scholars and practitioners with broadly heterodox orientations have good reason to be sceptical.

**Value Chain Governance: The Role of Policy**

In the academic literature, as we have noted, the governance dimension of the GVC framework has bifurcated into two distinct approaches emphasizing chain driven-ness and power asymmetry, on the one hand, and the beneficial dynamics of firm coordination on the other. The latter meaning of governance is clearly dominant in the development field. Here, the notion of governance combines with the post-Washington Consensus re-framing of the role of the state as a market enabler by correcting for market failures such as information asymmetry and underinvestment in innovation and technology (Serra and Stiglitz, 2008). Value chain governance appears as another tool that can be leveraged to mitigate such failures with the right kinds of participation from lead firms in synergistic partnership with market-facilitating state and development agencies.

If the dynamic of power asymmetry inherent in many global value chains has largely faded from view in development analyses, it has not completely disappeared. Where the applied literature does make mention of entry barriers and the role of lead firms in reproducing those barriers in order to protect their position in the chain, public policy is increasingly foregrounded as a tool that can mitigate these inequities. Pietrobelli and Staritz, for example, write that public policies 'may have a role to play in rebalancing these power relations and inequalities' by creating incentives for lead firms to be more transparent, to provide suppliers with longer-term contracts, and to participate in knowledge transfer (2013: 13). The extent to which lead firms might participate in such programs remains to be seen. Evidence to date suggests that multinationals are more willing to engage with supplier development, and even direct investment, if such endeavours are tied to shoring up their access to critical inputs in industries facing supply shortages (see Gereffi, 2014), or in exchange for access to large, emerging markets in supplier countries. The key innovation of the applied value chain literature, nonetheless, is to reframe the structural power asymmetries reproduced through value chains from an *analytical insight* into the global economy to *a problem that can be resolved* by policy interventions. This mode of institutional adaptation appears to be a condition for (even nominally) heterodox frameworks to become mainstream policy in the current conjuncture.

## Upgrading and Poverty-Reduction: Probing the Connections

Because global value chains are governed by particular actors, securing one's place within these networks and subsequently 'upgrading' to higher value segments requires appreciating the role that key actors play in setting standards, co-ordinating relationships among firms, and regulating access to markets. This link between upgrading and governance has largely been eroded in the applied literature. As the latter concept has come to mean horizontal or vertical coordination, upgrading has increasingly been associated with general notions such as market participation, firm-level competitiveness, and increasingly, poverty-reduction.

As we noted in our discussion of market development, the language of poverty-reduction has become central to value chain development not only at the ILO, but also increasingly at UNIDO and across numerous bilateral donors in the field. In a review of bilateral and multilateral value chain projects, Humphrey and Navas-Alemán identified systematically weak links to poverty reduction in many value chain projects that claimed it as an objective (2010). Nonetheless, the applied literature has associated the notion of upgrading with poverty-reduction very strongly, placing considerable emphasis on projects that are focused on 'linkage' or market entry for small producers. In a recently published UNIDO-sponsored guide, for example, Riisgaard and Ponte define value chain development as 'a positive or desirable change in a value chain to extend or improve productive operations *and* generate social benefits: poverty reduction, income and employment generation, economic growth, environmental performance, gender equity and other development goals' (UNIDO, 2011b: 1, emphasis added). And yet, the association of upgrading with poverty-reduction has solidified the former as a term that signals development more broadly, even in light of a growing body of scholarly research emphasizing that 'upgrading' must be understood as having a social as well as economic dimension (Barrientos et al., 2011), and that there is no inherent link between improvements in firm efficiency, productive capacity, and even functional capabilities, and poverty reduction, not to mention gender equity and other goals often cited (e.g. Bair and Werner, 2011; Werner, 2012).

## CONCLUSIONS

In their observations of the rapid mobility of policy models in the post-Washington Consensus era, Peck and Theodore summarize a growing body of research that traces the meandering pathways of development policy-making. New models and paradigms do not emanate from a central locus; rather they appear to be 'selectively harvested from the fields of decentralized governance, refined into development models and (best) practices, and purposefully re-circulated through global networks' (2010: 171). In order for policy models to circulate, they must be understood to respond to previous policy failures or weaknesses. Indeed, from a variety of institutional loci, value chain development precisely appears as a response to the limitations of private sector development policies of the Washington Consensus era. The declining legitimacy of market fundamentalism has generated demand for new ways of explaining how globalized trade and investment flows can be harnessed to promote outcomes such as international competitiveness, growth and employment. Value chain frameworks provide such an explanation and, in doing so, legitimize the basic premise of market liberalization while simultaneously informing policies that promise to go beyond the macroeconomic 'enabling environment' approach. Indeed, seen from this perspective, the value chain turn in development makes considerable sense. After all, trade barriers are at their lowest levels since WWII, nearly all countries are members of the multilateral trade system, and most developing countries have gone through multiple rounds of market reforms. New explanations must therefore be found to account for deficits in private sector growth and employment, and to frame interventions accordingly. Value chain perspectives thus offer corrections and amendments to this end, and are becoming central pillars to a post-Washington Consensus that sees a more active role for state and development institutions in 'making markets work,' while reaffirming participation in the market cum value chain as the means and ends of development.

**REFERENCES**

Altenburg, T. (2007) ‘Donor Approaches to Supporting Pro-Poor Value Chains’. Donor Committee for Enterprise Development, United Nations Industrial Development Organization, and Food and Agriculture Organization.

Altenburg, T. and J. Meyer-Stamer (1999) ‘How to Promote Clusters: Policy Experiences from Latin America’, *World Development* 27(9): 1693–1713.

Bair, J. (2005) ‘Global Capitalism and Commodity Chains: Looking Back, Going Forward’, *Competition & Change* 9(2): 153–180.

Bair, J. (2009) ‘Global Commodity Chains: Genealogy and Review’, in J. Bair (ed.) *Frontiers of Commodity Chain Research*, pp. 1–34. Stanford, CA: Stanford University Press.

Bair, J. and M. Werner (2011) ‘The Place of Disarticulations: Global Commodity Production in La Laguna, Mexico’, *Environment and Planning A* 43(5): 998–1015.

Barlow, S. (2011) ‘The Enter-Growth project: Sri Lanka: Applying a Market Development Lens to an ILO Local Enterprise Development Project’. Employment Report No. 11. Geneva: International Labour Organization.

Barrientos, S., G. Gereffi, and A. Rossi (2011) ‘Economic and social upgrading in global production networks: A new paradigm for a changing world’, *International Labour Review* 150(3-4): 319–340.

Cattaneo, O., G. Gereffi, and C. Staritz (2010) ‘Global Value Chains in a Post-Crisis World: A Development Perspective’ Washington, DC: World Bank.

Cattaneo, O., G. Gereffi, S. Miroudot and D. Taglioni (2013) 'Joining, Upgrading and Being Competitive in Global Value Chains: A Strategic Framework'. Policy Research Working Paper No. 6406. Washington, DC: World Bank.

Cramer, C. and K. Bayliss (2001) 'Privatisation and the Post-Washington Consensus: Between the Laboratory and the Real World', in Fine, B., C. Lapavitsas and J. Pincus (eds), *Development policy in the 21st century: beyond the post-Washington consensus,* pp. 52–79. London, UK: Routledge.

DFID (2005) 'Making Market Systems Work Better for the Poor (M4P) - An Introduction to the Concept'. Manila, Philippines: Department for International Development.

Dolan, C. and J. Humphrey (2000) 'Governance and Trade in Fresh Vegetables: the Impact of UK Supermarkets on the African Horticulture Industry', *Journal of Development Studies* 37(2): 147–176.

EDB (2008) 'Developing the Floriculture Sector In North-Western and North-Central Provinces: Value Chain Development For more Competitiveness and Decent Work'. Colombo, Sri Lanka: ILO and Export Development Board of Sri Lanka.

Elms, D.K. and P. Low (eds) (2013) *Global Value Chains in a Changing World.* Geneva:World Trade Organization.

Fernández, V.R. (2014) 'Global Value Chains in Global Political Networks: Tool for Development or Neoliberal Device?' *Review of Radical Political Economics.*

Fernández, V.R., J.I. Vigil, C. Davies, V. Dundas, M.C. Güemes, and M. Villalba (2009) *Cluster y Desarrollo Regional en América Latina. (Cluster and Regional Development in Latin America)*. Buenos Aires: Miño y Dávila.

Fernandez-Stark, K. and P. Bamber (2012). 'Assessment of five high-value agricultural inclusive business project sponsored by the Inter-American Development Bank'. Durham, NC: Duke and MIF-IDB.

FIAS (2007) 'Moving Toward Competitiveness: a Value Chain Approach'. Washington, DC: Foreign Investment Advisory Service/World Bank.

Fowler, B. (2012) 'Pathways Out of Poverty: Tools for Value Chain Development Practitioners'. United States Agency for International Development.

Gereffi, G. (1994) 'The Organization of Buyer-driven Global Commodity Chains: How U.S. shape Overseas Production Networks', in G. Gereffi and M. Korzeniewicz (eds) *Commodity Chains and Global Capitalism*, pp. 95–122. Westport, CT: Greenwood Press.

Gereffi, G. (1999) 'International Trade and Industrial Upgrading in the Apparel Commodity Chain', *Journal of International Economics* 48: 37–70.

Gereffi, G. (2014) 'Global value chains in a post-Washington Consensus World', *Review of International Political Economy.*

Gereffi, G., J. Humphrey, and T.J. Sturgeon (2005) 'The Governance of Global Value Chains', *Review of International Political Economy* 12(1): 78–104.

Gereffi, G. and O. Memedovic (2003) 'The Global Apparel Value Chain: What Prospects for Upgrading be Developing Countries?' Vienna: United Nations Industrial Development Organization.

Gibbon, P. (2003) 'Commodities, Donors, Value Chain Analysis and Upgrading'. United Nations Conference on Trade and Development.

Gibbon, P. and S. Ponte (2005) *Trading Down: Africa, Value Chains, And The Global Economy*. Philadelphia, PA: Temple University Press.

Gibbon, P., J. Bair and S. Ponte (2008) 'Governing Global Value Chains', *Economy and Society* 37, 3: 315–338.

Giuliani, E., C. Pietrobelli, and R. Rabellotti (2005) 'Upgrading in Global Value Chains: Lessons from Latin American Clusters', *World Development* 33(4): 549–573.

Hakemulder, R. and M. Sievers (2010) 'Practical Guidelines for a More Systemic Approach to Sustainable Enterprise Development'. Geneva: International Labour Organization.

Henderson, J., P. Dicken, M. Hess, N. Coe, and H.W. Yeung (2002) 'Global Production Networks and the Analysis of Economic Development', *Review of International Political Economy* 9(3): 436–464.

Herr, M.L. and T.J. Muzira (2009) 'Value Chain Development for Decent Work – A Guide for Development Practitioners, Government and Private Sector Initiatives'. Geneva: International Labour Organization.

Humphrey, J. (2004) 'Upgrading in Global Value Chains'. Working Paper No 28. Geneva: International Labour Organization.

Humphrey, J. and H. Schmitz (2000) 'Governance and Upgrading: Linking Industrial Cluster and Global Value Chain Research'. IDS Working Paper 120. Brighton: Institute of Development Studies.

Humphrey, J. and H. Schmitz (2002) 'How Does Insertion in Global Value Chains Affect Upgrading in Industrial Clusters?', *Regional Studies* 36(9): 1017–1027.

Humphrey, J. and L. Navas-Alemán (2010) 'Value Chains, Donor Interventions and Poverty Reduction: A Review of Donor Practice'. IDS Working Paper 63. Brighton: Institute of Development Studies.

IDB (2013) 'Aid for Trade Report: 2012-2013'. Washington, DC: Inter-American Development Bank.

Jomo, K.S. and B. Fine (eds) (2007) *The New Development Economics: Post Washington Consensus Neoliberal Thinking*. London, UK: Zed Books.

Kaplinsky, R. (2000) 'Spreading the Gains from Globalisation: What Can be Learned from Value Chains Analysis?'. IDS Working Paper 110. Brighton: Institute of Development Studies.

Kaplinsky, R. and M. Morris (2001) 'A Handbook for Value Chain Research'. Brighton: International Development Research Centre.

Kaplinksy, R. and J. Readman (2001) 'Integrating SMEs IN Global Value Chains: Towards Partnership for Development'. Vienna: United Nations Industrial Development Organization.

Kaplinsky, R., O. Memedovic, M. Morris, and J. Readman (2003) 'The Global Wood Furniture Value Chain: What prospects for upgrading be developing countries? The Case of South Africa'. Sectoral Studies Series. Vienna: United Nations Industrial Development Organization.

Mayoux, L. and G. Mackie (2007) 'Making the Strongest Links: A Practical Guide to Mainstreaming Gender Analysis in Value Chain Development'. Addsis Ababa, Ethiopia: International Labour Organization.

McCann, E. (2011) 'Urban Policy Mobilities and Global Circuits of Knowledge: Toward a Research Agenda', *Annals of the Association of American Geographers* 101(1): 107–130.

McCormick, D. (1999) 'African Enterprise Clusters and Industrialization: Theory and Reality', *World Development* 27(9): 1531–1551.

McMichael, P. (2013) ‘Value-chain Agriculture and Debt Relations: contradictory outcomes’, *Third World Quarterly* 34(4): 671–690.

Meyer-Stamer, J. (2005) ‘Local Economic Development’, in P. Giordan, F. Lanzafame, and J. Meyer-Stamer (eds), *Assymetries in Regional Integration and Local Development*, pp. 215–258. Washington, DC: Inter-American Development Bank.

Miehlbradt, A.O. and M. McVay. (2005) ‘From BDS to Making Markets Work for the Poor’. Turin: International Labour Organization / International Labour Organization Training Centre.

Morris, M. and J. Barnes (2009). ‘Globalization, the Changed Global Dynamics of the Clothing and Textile Value Chains and the Impact on Sub-Saharan Africa’.Working Paper Series 10/2008. Vienna: United Nations Industrial Development Organization.

Neilson, J. (2014) ‘Global Value Chains, Neoliberalism and Development Practice: The Indonesian Experience’, *Review of International Political Economy*.

Núñez, D. and M. Sievers (2011) ‘ILO Value Chain Development Portfolio Analysis: A Stocktaking of ILO Value Chain Related Activities’. Geneva: International Labour Organization.

Onis, Z. and F. Senses (2005) ‘Rethinking the Emerging Post-Washington Consensus’, *Development and Change* 36(2): 263–290.

Peck, J. and N. Theodore (2010) ‘Mobilizing Policy: Models, Methods, and Mutations’, *Geoforum* 41: 169–174.

Pietrobelli, C. and R. Rabellotti (2006) *Upgrading to Compete: Global Value Chains, Clusters, and SMEs in Latin America*. Cambridge, MA: Harvard University Press.

Pietrobelli, C. and C. Staritz (2013) ‘Challenges for Global Value Chain Interventions in Latin America’. Technical Note No. IDB-TN-548. Washington, DC: Inter-American Development Bank.

Raikes, P., M. Friis Jensen, and S. Ponte (2000) ‘Global Commodity Chain Analysis and the French filière Approach: Comparison and Critique’, *Economy and Society* 29(3): 390–417.

Schmitz, H. (1995) ‘Collective Efficiency: Growth Path for Small-Scale Industry’, *Journal of Development Studies* 31(4): 529–566.

Schmitz, H. (2005) ‘Value Chain Analysis for Policy-Makers and Practitioners’. Geneva: International Labour Organization.

Schmitz, H. and K. Nadvi (1999) ‘Industrial Clusters in Developing Countries - Clustering and Industrialization: Introduction’, *World Development* 27(9): 1503–1514.

Schulpen, L. and P. Gibbon (2002) ‘Private Sector Development: Policies, Practices and Problems’, *World Development* 30(1): 1–15.

Serra, N. and J.E. Stiglitz (2008) *The Washington Consensus Reconsidered: Towards a New Global Governance*. Oxford: Oxford University Press.

Stamm, A. and C. von Drachenfels (2011) ‘Value Chain Development: Approaches and Activities by Seven UN agencies and Opportunities for Interagency Co-operation’. Geneva: International Labour Organization.

Staritz, C. (2012) ‘Value Chains for Development? Potentials and Limitations of Global Value Chain Approaches in Donor Interventions’. Working Paper 31. Vienna: Austrian Research Foundation for International Development (OFSE).

Stiglitz, J.E. (1998) 'More Instruments and Broader Goals: Moving Toward the PostWashington Consensus'. 1998 WIDER Annual Lecture, Helsinki, Finland (7 January).

Sturgeon, T. (2002) 'Modular production networks: A new American model of Industrial Organization', *Industrial and Corporate Change* 11(3): 451–496.

Sturgeon, T. (2008) 'From Commodity Chains to Value Chains: Interdisciplinary Theory Building in an Age of Globalization', in J. Bair (ed.) *Frontiers of Commodity Chain Research*, pp. 110–135. Stanford, CA: Stanford University Press.

UNIDO (2002) 'Industrial Development Report: Competing Through Innovation and Learning'. Document no. 414. United Nations Industrial Development Organization.

UNIDO (2009) 'Value Chain Diagnostics for Industrial Development: Building blocks for a holistic and rapid analytical tool'. Vienna: United Nations Industrial Development Organization.

UNIDO (2011a) 'Diagnostics for Industrial Value Chain Development - An Integrated Tool'. Vienna: United Nations Industrial Development Organization.

UNIDO (2011b) 'Pro-poor Value Chain Development: 25 guiding questions for designing and implementing agro-industry projects'. Vienna: United Nations Industrial Development Organization.

Wade, R. (2002) 'US Hegemony and the World Bank: The Fight Over People and Ideas', *Review of International Political Economy* 9(2): 215–243.

Werner, M. (2012) 'Beyond Upgrading: Gendered Labor and Firm Restructuring in the Dominican Republic', *Economic Geography* 88(4): 403–422.

World Bank (2001) ‘World Development Report 2000/2001: Attacking Poverty’. New York, NY: World Bank.

World Bank (2003) ‘Private Sector Development Strategy Implementation Progress Report’. Washington, DC: World Bank.

World Bank (2004) ‘Cambodia - Seizing the Global Opportunity: Investment Climate Assessment and Reform Strategy for Cambodia’. Document No. 27925-KH. Washington, DC: IFC, World Bank.

World Bank (2008) ‘World Development Report 2008: Agriculture for Development’. Washington, DC: The International Bank for Reconstruction and Development / World Bank.

World Bank (2011) ‘The role of International Business in Aid for Trade. Building capacity for trade in Developing Countries’. Washington, DC: World Bank.