



## **Round Table Africa Update 1/2007**

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### **Stimulating sustainable business in Africa**

Round Table Africa is a four year program (2007 – 2010) on expertise development in the area of sustainable business in Southern and Eastern Africa. The program aims to increase the opportunities and eliminate constraints, thereby enabling the integration of African suppliers in regional and international markets. It fosters a structural collaboration between international businesses, local companies and policy-makers. Round Table Africa looks at economic and social development from a commerce perspective. The approach is holistic and is a synthesis of research, stakeholder dialogue, match-making and business development.

### **Editorial**

#### **The dynamics of African economies**

*By Diederik de Boer, Director Sustainable Development Centre, Maastricht School of Management*

Economic Development is the crucial issue in Africa. However, why is it that in the sixties and seventies the economic development of Asian countries was often inferior to those in Africa, but today the opposite is true? Why is it that despite fifty years of donor efforts and limited Foreign Direct Investment, Africa is still at the periphery of the global economy? Why is that we still lack the analytical data necessary to enable a better understanding of the economic situation in Africa? And last, but not least, how can we contribute to improved economic development in Africa?

These are the focal questions that are repeatedly raised by the experts working in the Round Table Africa program. These questions serve as the foundation for the Round Table Africa Approach.

#### *Promising value chains*

In order to better understand African economies it is important to understand the largest and most promising value chains in Africa. An understanding of these chains can lead to a clearer understanding of the dynamics of African economies as chain analysis provides the tools to compare chains and the economic environments of different countries. In essence, this kind of analysis can demonstrate why chains in country X are more successful than those in country Y.

Through an analysis of more than twenty value chains in Eastern and Southern Africa, the program endeavors to contribute to a deeper understanding of the pros and cons of economic development in Africa. Each chain analysis will provide insight into the opportunities and obstacles from a chain point of view. This in-depth analysis will form the basis for future Round Table sessions where stakeholders will be invited. The stakeholders include, but are not limited to, representatives of African producers and supplier organizations, companies, donors, NGO's, academic institutions, banking agencies and public sector actors. Finally, the Round Table will initiate a match-making process between two or more actors in order to work towards overcoming



obstacles and developing opportunities. Through this process, we expect to eventually create more jobs in Africa.

#### *Match-making*

The Round Table Africa program is unique in that it analyzes not only the chains from an African perspective, but it also, (if relevant) incorporates the international dimensions of the chain. Sector-specific meetings will be organized in both Africa and Europe. The ultimate aim is to create added sustainable value through match-making at local, national and international levels. This process will be assisted by an online value chain database that will later also disclose data from chains in Asia and Latin America.

The Round Table Africa program is hosted in Africa by the Eastern and Southern Management Institute (ESAMI), which is based in Arusha, Tanzania. The European partner is the Maastricht School of Management in the Netherlands, with additional support from Nyenrode University, Erasmus University in Rotterdam and the University of Amsterdam.

Economic development in Africa remains a delicate process, but the Round Table Africa approach will be an important step towards a more developed and thriving Africa.

### **The initiation of the program in Tanzania**

The Round Table Africa idea was first conceived by MSM's Sustainable Development Centre early in 2006. ESAMI, as the premier management development centre in Africa, was invited to partner with MSM in the execution of the project activities. Negotiations were concluded in December, 2006. ESAMI, convinced of the important role that the project could play in sustainable business development in Eastern and Southern African countries, offered to host the project.

#### *Establishment of the Round Table Africa Office*

From its inception in January, 2007, there was rapid development and institutionalization of the Round Table Africa concept at ESAMI Headquarters in Arusha, Tanzania. Two memoranda agreements were signed by MSM and ESAMI in March. The first outlined the respective roles and responsibilities of the two parties, while the second agreement established collaboration arrangements for the execution of a Doctor of Business Administration program (DBA). This was immediately followed by the appointment of staff members and the opening of an office. As well, the work program and performance budget for 2007 were prepared. The organizational and administrative set-up at ESAMI is now well-established and functioning effectively.

#### *DBA and Round Table Africa*

The significance of the DBA program at ESAMI lies in the fact that students are tasked to deliver input into the Round Table Africa program. Each student will contribute to the value chains analyses that serve as the analytical basis for the program. The preliminary stages of the DBA program were initiated in mid-January when ESAMI staff members were invited to apply for admission to the program. After screening the applicants, sixteen people were admitted and invited to participate in the first training session that began on May 22, 2007. The students underwent an intensive one-week study of the conceptual and methodological aspects of research, after which they selected research topics, wrote a brief preliminary research proposal, and completed a comprehensive assignment.

#### *Overwhelming interest*

On the basis of the preliminary research proposal, MSM assigned two supervisors to each student. Simultaneously, advertisements went out in July to attract applicants for admission into a second cohort of DBA students which started on October 15, 2007. The response to the advertisement was overwhelming and more than sixty eligible applications were received within



the relatively short period of one month. Seventeen applicants were chosen from the extensive list and admitted into the next DBA intake.

## **Value chains development**

*An approach to improve the position of African suppliers*

The foundation of the Round Table Africa program is the analysis of the competitiveness of specific subsectors and value adding activities that have a potential for sustainable economic growth in Africa.

A value chain describes the range of activities that are required to bring a product from its conception to its end use. Activities such as the design, production, marketing, distribution and support leading to the final consumer are included in the value chain and can be performed by one single firm, or several different business entities. In addition, the activities can take place within one single geographical area, or can be spread across several locations (Fauno, 2006). Therefore, the integration of suppliers from developing countries in potential value chains creates opportunities for sustainable economic growth. The global value chains approach sees the source of competitive advantage in opportunities provided through cooperation between various actors within the chain (Humphrey and Schmitz, 2000; Laven, 2005). At the same time, various factors can limit access to markets for African producers and pose constraints to the benefits of integration. Issues such as insufficient knowledge of market trends, limited access to sources of information and communication, inadequate quality and production standards, deficient financial resources, and lack of technology and innovation limit the ability of producers to participate in global markets. In addition, the enabling environment, including trade policies and social and environmental conditions, remains challenging.

### *Mapping of chains*

Value chain analysis is recognized as a useful tool for understanding and identifying the opportunities and obstacles experienced by African suppliers. It provides a methodology that systematically analyzes the structure and the processes of adding value. The analysis includes mapping the chains of interlinked production and exchange activities in particular sectors or subsectors and their geographic distribution. This may include linkages between international, national and local arenas. Moreover, identification of key stakeholders, their roles, relationships and motives for engagement in the value chains is required, in conjunction with an analysis of governance structures and power dimensions between the actors. This detailed systematic analysis enables researchers to identify opportunities and constraints within selected value chains in specific contexts. It also enables the development of intervention strategies that can improve the position of African suppliers. As a result, the Round Table Africa program puts emphasis on the match-making opportunities between various key public, private and civil society actors.

## **Overview of value chains divided per industry and countries**

Based on proposals made by a number of experts in Africa and Europe, an overview of value chains can be presented. Each value chain analysis will take place in at least two African countries. This will generate additional insight regarding competitiveness within the region. More information per value chain will be published within the next months on the Round Table Africa website and in forthcoming issues of this update.

<b>Industry</b>	<b>Value chain</b>	<b>Country of research</b>
Extractive industries	Mining	Botswana, Tanzania, Zambia, and Zimbabwe
(Applied) agricultural industries	Fishery	Uganda



	Sugar	Malawi, Tanzania
	Textiles	Tanzania
	Tea	Kenya
	Timber	Uganda
	Biofuel	Kenya, Tanzania, Uganda, and Zambia
	Horticulture	Tanzania and Zambia
	Supermarkets	Kenya, Tanzania, Uganda, and South Africa
Manufacturing industries	Packaging	Kenya, and Tanzania
	Construction	Kenya
Service industries	Telecom	Kenya
	Drinking water	Kenya
	Tourism	Botswana, Kenya, Mauritius, Rwanda, Tanzania, and Uganda
	Banking - micro finance	Burundi, Kenya, Rwanda, Tanzania, and Uganda

## Disclosure of information

### *Setting-up a database*

Collecting relevant and comparable data about countries and subsectors is often a time consuming process. Moreover, due to the complexities of finding relevant information regarding specific subsectors in a region and due to the difficulties that are involved in integrating the information, research is often duplicated. Therefore, in order to obtain an overview of country and sector data gathered from various sources, the Round Table Africa program has initiated a project database. This database is meant to support match-making activities and Business Development Services. In addition, it serves as an information source for businesses, lobby and advocacy groups, and research activities.

The value chain database will systematically store and update competitiveness data and key information on researched value chains. ESAMI researchers will provide the input for the defined fields. In addition, secondary data provided by various international, regional and local sources will be gathered, organized and stored. The database aims to serve academics, policy makers, businesses, and other stakeholders from the public and private sector that are interested in sustainable economic development in Africa.

### *Testing*

In September, the pilot project for testing the database was initiated in the Iringa region of Tanzania. Two subsectors were studied, namely tomato and timber-furniture value chains. The main objectives of the testing were to verify, if and how the defined datasets could be obtained and to further specify the type of data collected as qualitative or quantitative. In addition, the testing also assessed if the datasets were helpful in reaching the targets of the overall program. After analysis of the information, the findings resulting from the testing phase will be captured in order to finalize the preparation of the data base set up. The database is expected to be operational and online by the end of 2007.



## Network building on sustainable business

Round Table Africa aims to actively seek the attention of a wider community interested and involved in development issues. Stimulating discussion and networking within and beyond Africa will be a central aspect of the project implementation. A website has been established, the quarterly newsletter has been introduced, and over the course of the program, lectures, debates, publications and conferences are expected to take place. Round Table Africa wants to reach out to experts on sustainable economic development globally. It also wants to link the academic world to the public and private sector, as well as to civil society. The program will therefore foster networking among those people and institutions that are interested in the analyzed value chains.

### *A new program, a new logo*

The logo of Round Table Africa embodies the dynamism of economic development and the processes of bringing different stakeholders together. It reflects the relationships between actors and economic activities within and beyond Africa. The color green was selected because it represents growth, prosperity and sustainability.

## Events

### **Training Course: “Value Chain Concepts”**

21-25 January 2008, MDF Training Center, Ede (Netherlands)

The course aims to increase participants understanding of the Value Chain Conceptual Framework as well as economic mapping, subsector analysis and value chain development. The course will enhance analytical skills to identify constraints, opportunities and leverage points for developing value chains.

Further information: <http://www.mdf.nl/vcc-nl>

### **Training Course: “Value Chain Program Design: Promoting Market Solutions for MSMEs”**

01-05 October 2007, Action for Enterprise, Nairobi (Kenya)

08-12 October 2007, IDC, Aachen (Germany)

03-07 December 2007, Action for Enterprise, Washington DC

This workshop provides the latest methodologies and practices for designing value chain programs that incorporate strategies for sustainable impact.

Further information: <http://www.actionforenterprise.org/training.htm>

## Publications and resources

*“Report on Value Chains: Analysis of existing theories, methodologies and discussions of value chain approaches within the development cooperation sector”* prepared for SDC by Daniel Roduner, LBL, (2004; Bern)

Link: [http://www.sdc-valuechains.ch/resources/resource\\_en\\_32.pdf](http://www.sdc-valuechains.ch/resources/resource_en_32.pdf)

This paper provides insights on existing theories, methodologies and discussions of value chain approaches. It points out different aspects and reasons why the value chain approach is important in development cooperation. This is done on a program and a policy level.

*“The Value Chain Approach in Development Cooperation”* by Bettina Merlin (2005; Eschborn)

Link: <http://www2.gtz.de/dokumente/bib/05-1037.pdf>

This GTZ study identifies organizations relevant to development cooperation and works with the value chain approach.

*“A Handbook for value chain research”* prepared for the IDRC by Raphael Kapinsky and Mike Morris.

Link: <http://www.globalvaluechains.org/docs/VchNov01.pdf>



This handbook comprehensively covers the broad spectrum of researching value chains (contextually relevant, conceptually abstract, methodologically particular, and the policy relevant) and thus provides researchers with information on many aspects of value chain analysis.

*"Donor Approaches to supporting pro-poor value chains"* Report prepared for the Donor Committee for Enterprise Development (Working Group on Linkages and Value Chains) by Tilman Altenburg (GDI) 2006.

Link: <http://www.sedonors.org/resources/download.asp?id=386>

This study discusses the analytical foundations of the pro-poor value chain concept. Moreover, it examines the implications of the increasing coordination and globalization of value chains for pro-poor growth in developing countries and identifies strategies and interventions for value chain development in ways that contribute to economic growth and poverty reduction. It aims to stimulate further discussion on pro-poor value chains among the donor agencies involved.

For more publications and resources see [www.roundtableafrica.net](http://www.roundtableafrica.net)

*Round Table Africa is an initiative of Maastricht School of Management, Sustainable Development Centre ([www.msm.nl](http://www.msm.nl)), in partnership with the Eastern and Southern African Management Institute (ESAMI, [www.esami-africa.org](http://www.esami-africa.org)) and the Expert Centre for Sustainable Business and Development Cooperation (ECSAD, [www.ecsad.nl](http://www.ecsad.nl)). It receives financial support of the Netherlands Ministry of Foreign Affairs.*

### **More information**

For more information on Round Table Africa, see [www.roundtableafrica.net](http://www.roundtableafrica.net).

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