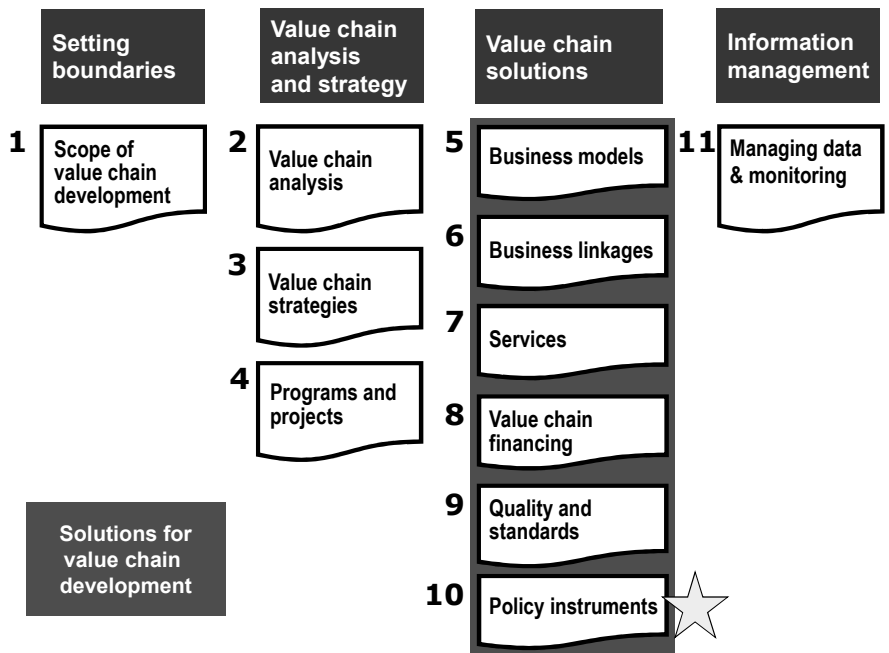




ValueLinks Module 10

Policy instruments

Structure of ValueLinks 2.0





Regulations and VC policies

Contents

- 1 Policy instruments in the context of VC development
- 2 Supporting private initiatives addressing policy issues

The business environment

Elements of the business environment

National economy Inflation / interest rates / exchange rates / integrity and accessibility of the judicial system / costs of establishing a business and securing property rights, taxes

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Subsector (e.g. food) Distribution of land & water / accessibility of public goods (infrastructure) / environmental and resource degradation



The influence of the business environment

Market regulation

- The European food law regulates traceability and hygiene rules and minimum residue levels for all food products, enacted in national laws. Between 0,5 and 2,0 % (in case of fish and fresh produce) of imports are rejected because of non-compliance,

Property rights

- Uncertainty over land rights is on the rise in several West African countries as the process of land titling tends to simplify customary rights and access to land registers is skewed

Public administration

- Export clearance charges for a 40 ft container in Cambodia are 1126 US\$, as compared to 255US\$ in Hong Kong.

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Policy instruments matrix

		Examples		
		Economic policy	Social policy	Environment policy
International Level	Regulation International Agreements	WTO Trade agreements	ILO Convention on social security standards	CO ₂ emission targets (UNFCC)
	Voluntary Voluntary Guidelines	UN Principles for Responsible Investment (PRI)	ILO labour standards, fair trade labels	Roundtable on Sustainable Palm Oil
Regional Level	Market-based Regional incentives/taxes	EU agriculture subsidies		EU carbon trade system (UNFCC)
	Regulation Regional Agreements	EU common market, Currency Unions (EURO/UEMOA),	EU rules on social security coordination	EU environmental standards
	Voluntary		ASEAN Declaration on Social Protection	
National Level	Market-based Using & creating markets	Fertilizer subsidies for small farmers; tax breaks for investors	Labour market policies	Electricity feed-in tariffs from renewables
	Regulation Laws, restrictions, standards	Competition law, import duties	Labour law	National parks
	Voluntary Use of labels and certificates	Corporate responsibility initiatives	Child care provided by firms	Energy efficiency network initiative (D)
Sub-National Level	Market-based Local incentives, subsidies	Communal business tax	Private hospital subsidies	Payments for services like garbage collect.
	Regulation Local regulations	Business permits and registrations	Social housing, rent price controls	Nature park access restrictions
	Voluntary Local labels and certificates			

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Growth policy instruments

Policy instrument	Type	Description
Special Economic Zones	Regulatory	Areas governed by business and trade laws that are different from the rest of the country (free trade/export processing zones).
Tax reductions	Market-based	General reductions on taxes or customs duties increase the return on investment on foreign direct investment.
Linkage policies	Regulatory	Expand a country's initial VC activities down- or upstream. E.g. local content requirements to force foreign firms to source inputs locally.
Infrastructure policies	Market-based	Provision of specific infrastructure according to specific VC needs.
Business start-up procedures	Regulatory	Simplified (online) business registration, reduced minimal capital requirements, creation of one-stop shops.
Value chain finance	Market-based	Provision of credit, savings, guarantees or insurance to or among value chain actors.

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Infrastructure and support services

Providing infrastructure and facilities

- Roads, port facilities
- Facilities at market places

Strengthening of public support service providers

- Research and technology institutes
- Export promotion
- Professional education, skills development
- Subsector development programmes

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Consequences for VC projects

Pro-poor VC development depends on the business environment and on sub-sector-wide framework conditions

- ➔ *Need to adopt an active economic development policy integrating different fields of policy-making (trade, public administration, environment & resource use, land management, regional planning, quality standards)*
- 2** ➔ *React to (global) market change AND improve supply side conditions*



Principles:

- Establish the link between VC development needs and the business environment/economic framework conditions
- Involve interested parties from the private sector and try to form alliances
- Operate issue-based and demand-driven, starting from short-term political projects
- Allow political reform to result from transparent process
- Counterbalance the tendency of government to intervene in VC

**Fostering Public-Private Dialogue**

- Lobby meetings of private sector leaders with the Minister/Government
- VC Stakeholder meetings and conferences
- Establishment of a regular public private forum

Private sector lobbying

- Improve legal framework (protection of property, regulation of labour and capital markets, regulation of standards, simplified tax system,...)
- Reduce bureaucratic impediments to business and trade

Developing coherent sector policies

- National Agricultural Investment Plans
- Commodity specific policies, e.g. National Cocoa Policy

