

**MANAGING THE LINKAGE:
DEFINING AN EFFECTIVE FRAMEWORK**

**A paper contributed by
Owen Skae
Professor, University KwaZulu Natal
South Africa**

1. Introduction

In the world's quest to eradicate poverty, the means to get there are not fully understood, nor the means to achieve them universally accepted. However, most would agree that the link between the trade and development in general and exports and poverty reduction in particular, needs to be strengthened and its effects better understood. This paper suggests that most simply, there is a lack of a strategic approach to export development and poverty reduction.

2. Why isn't it working?

To put the problem into context, let's consider some key issues that need to be addressed and understood by the national export strategy maker who is concerned with poverty reduction:

a. Insufficient Export Growth

The least developed countries report of 2004 makes a bold statement, in suggesting that to make a significant inroad to poverty reduction, a country's real export growth rate should **exceed 5% per annum**.¹

Proposition One: As a matter of urgency, all countries should formulate a National Export Strategy, with the stated goal of achieving real export growth in excess of 5% per annum
Counterpoint: Is it really necessary to have a precondition of real export growth exceeding 5%? Even without high growth, there is much a pro-poor national export strategy can achieve.

b. Relationship between Exports and Poverty Reduction is Asymmetrical

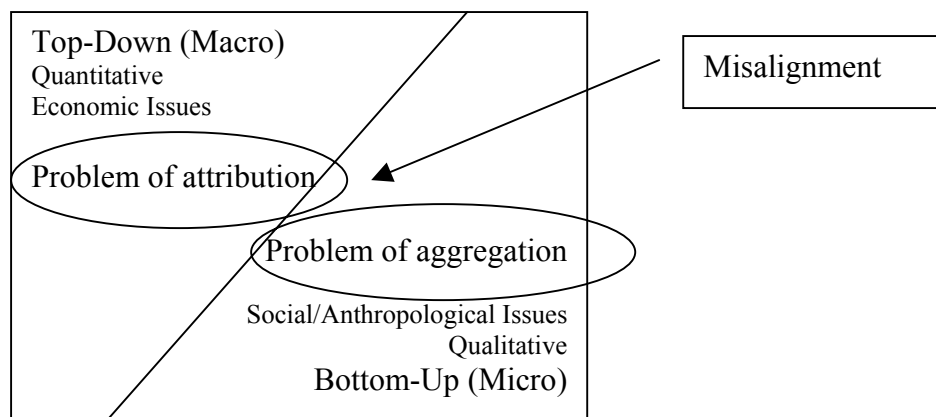
It must also be borne in mind that the relationship between trade and poverty reduction is asymmetrical. In other words, whilst it is probably true that a reduction in trade and exports is likely to lead to an increase in poverty and unemployment, the reverse does not necessarily apply.

Proposition Two: Poverty reduction should be explicitly stated as a key goal of any National Export Strategy. In other words, development should be mainstreamed into a country's export efforts and not regarded as a by-product or something that happens indirectly as a consequence of a 'spillover' effect. This philosophy should be taken to the full extreme by different efforts and agencies working in the field, when formulating relevant policies and strategies.
Counterpoint: No matter how hard the national export strategy maker tries, there are times when the dual objectives of export development and poverty reduction will conflict when taken against the backdrop of competitiveness, economies of scale and product quality etc. Hence any attempts to mainstream poverty reduction will compromise a country's national export efforts.

c. Inadequate measurement

The relationship between trade and poverty reduction is asymmetrical. Under this scenario there is no one size fits all and hence one has to consider a range of measures to assess the impact of the export initiatives.

¹ The Least Developed Countries Report 2004, Overview by the Secretary-General of UNCATD, pg 11



© modicum

A quantitative issue would be a straight income and expenditure assessment. A qualitative issue would pertain to 'well-being' or 'empowerment'.

In formulating the objectives around the Development Perspective of the National Export Strategy, the National Strategy maker runs the risk of the same criticisms that have been levelled at the Millennium Development Goals, namely that they are too focused on top-down. The end result is a problem of attribution and hence no operational relevance to the various stakeholders whose vision you are trying to achieve.

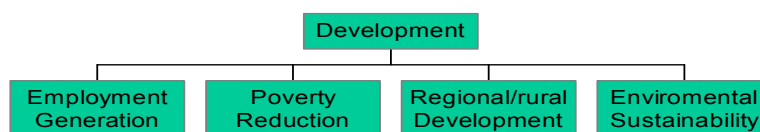
On the other hand, a particular development agency which is focusing on a particular aspect of (for example) gender imbalance will confront problems of aggregation and hence their efforts will be diluted in the context of the national goal. In fact, in all likelihood it will be impossible to determine what impact they have had, if any on the National Vision.

The main problem encountered is one of misalignment. "There are two possible responses to this problem of misalignment. The first is to say that it is inevitable".² As a consequence, institutions do not concern themselves with linking the bottom-up performance to their impact on national objectives. But this will simply perpetuate the misalignment. The "second response is to resort to logic models. The bridge must be made between observing satisfactory activities and presumed impact on development outcomes".³

Proposition Three: In measuring the linkage between exports and poverty reduction, the strategy-maker must give recognition to **both** proving the impact (quantitative measures) and improving the relationship between initiatives and outcomes (qualitative measures).
Counterpoint: Perhaps there is a third way, which is to recognize that one should not be too mechanistic and strict in measuring and evaluating outcomes, but follow a logical methodology which incorporates learning-by-doing practices.

3. A Practical Approach to Managing the Linkage

In its approach to Managing a National Export Strategy, The International Trade Centre has developed a Strategy Management Framework (shown in Appendix A) which places Development as the first Perspective that needs to be considered, with four key objectives as shown below:



² Using the Millennium Development Goals as a basis for agency-level performance measurement, Howard White, Institute of Development Studies, University of Sussex, page 13

³ Ibid, page 13

The question that is then posed is:

To achieve the vision, how must all key stakeholders (including civil society and the business community at large, taxpayers, politicians, government ministries, labour unions, NGOs and the donor community) perceive its relevance to their specific concerns and priorities?

The four key objectives that the strategy should set out to address are:

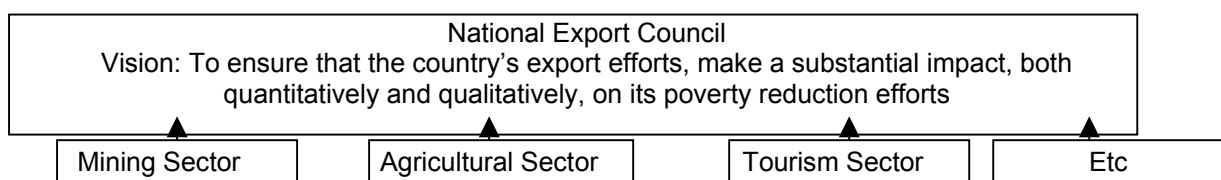
Measures, Targets and Initiatives are then formulated to ensure achievement of the stated objectives, which are then in line with the country's National Export Strategy.

The underlying premise behind these 'OMTIs' (Objectives, Measures, Targets and Initiatives) is that you "can't manage what you can't measure and you can't measure what you can't describe". Often the problem in the context of pro-poor export strategies, is lack of understanding of the underlying issues, inadequate description of the OMTI's, and under-representation of the target groupings into the strategy formulation process.

4. Make it a Priority of the Sectors

As National Export Strategy is ultimately the aggregate of the country's sector level strategies, it follows that the sectors and sub-sectors themselves should formulate strategies to directly link poverty reduction to their export efforts. This will go a long way to addressing the problems of asymmetry, misalignment and inadequate measurement.

It also recognizes that circumstances and appropriateness may differ between sectors. When it comes to implementation and impact measurement problems, these can be tackled at the sub-sector and sector level. For instance to apply the same approach to the agricultural sector may not be workable in the mining sector. Conceptually, this is presented as follows:



The National Export Council (through an appropriate working group on poverty reduction issues), is then responsible for monitoring, reporting and aggregating the efforts of the individual sectors. At the same time it will be able to advise National, Regional and Local government as to where priorities in terms of infrastructure spend, human capital development and so on are required so as to maximise impact across the sectors.

5. The Rwandan Coffee Example

By way of illustration, a partially completed Strategy Management Framework has been developed to show how a sub-sector can formulate an export strategy with the explicit goal of poverty reduction. It shows how the authors of this paper would facilitate a comprehensive strategy, using the ITC's recommended approach.

Some of underlying information and data around the Rwandan coffee example have been obtained from a World Bank Policy Research Paper 3784⁴ and a progress report to the

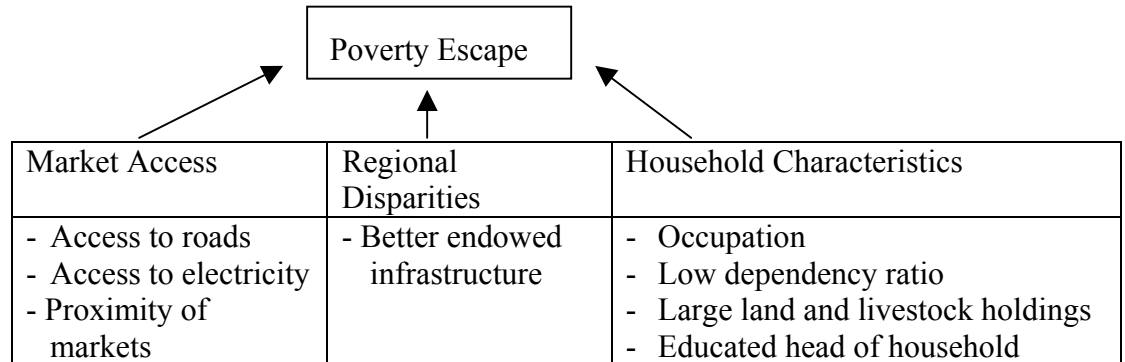
⁴ Trade Costs, Export Development and Poverty in Rwanda by Ndiame Diop, Paul Brenton and Yakup Asarkaya, December 2005. Obtainable online at <http://econ.worldbank.org>

⁵ Improving coffee quality in East and Central Africa through enhanced processing practices (Rwanda and Ethiopia) International Coffee Organization, 7 September 2005, Reference ICC 94-3. Obtainable online at http://www.ico.org/show_document.asp?id=819

International Coffee Council⁵ and should be read in conjunction with this paper for completeness of understanding.

5.1. The Poverty Determinants

The World Bank study indicated the following variables as being key in escaping poverty:



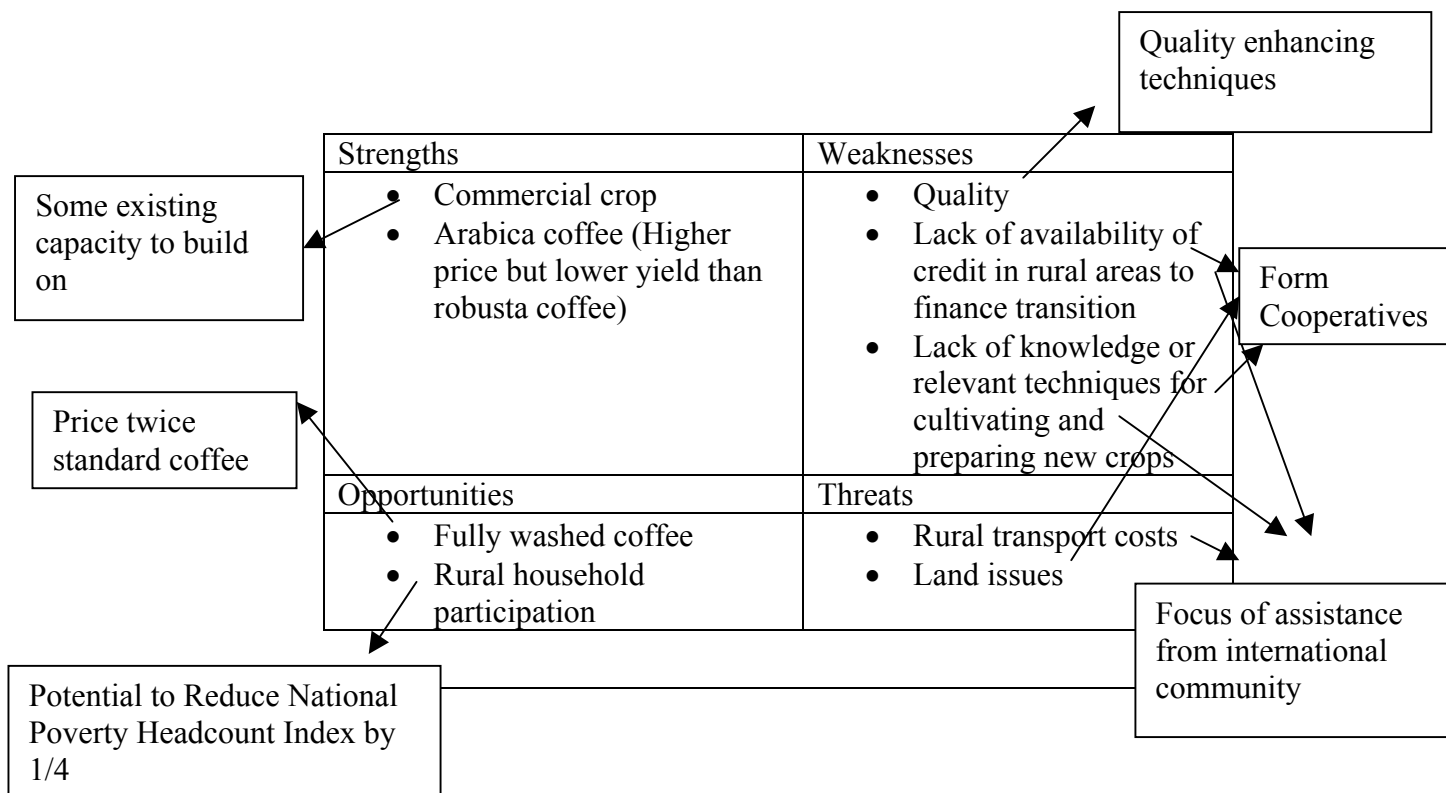
The progress report identified government bureaucracy, specifically slow Government procurement procedures as one of the key impediments to implementation of the project.

The above issues do not pretend to be exhaustive and clearly other factors *inter alia* would need to be considered such as organizational infrastructure, market access in terms of buyers and production know-how.

5.2. The Key Issues and Possible Responses

Following on from the identification of the poverty determinants, a simple SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis is undertaken and picture of possible strategic responses is then developed.

This is illustrated below and once again it should be noted, that this is not exhaustive. It is however important to note, that recognition is given to the stated objective of reducing poverty through the development of exports.



5.3. The Broad Steps to Developing a Strategic Response

Perspective:	Managing the Linkage:	Key Questions:	Possible Responses:
VISION	To maximise the export sector's contribution to the country's poverty reduction efforts		
Development	<p style="text-align: center;">Poverty Reduction</p> <p>To get buy-in from all key stakeholders, the disadvantaged communities should obtain both tangible and intangible benefits from a country's export efforts.</p>	<p>How should the implementation of a pro-poor strategy be monitored? Is it possible to specify relevant impact measures, 'short-term, medium-term and long-term' in a pro-poor export strategy? If so what are these impact measures? Is it realistic to expect that these measures can be effectively monitored?</p>	<p>A broad based view export development-poverty reduction needs to be emphasised which focuses on increased income, capability and participation.</p>
Client	<p style="text-align: center;">QM TI EC TF</p> <p>Marginalised communities to be mainstreamed into the Global Value Chain such that more value is acquired, retained, added, created and distributed.</p> <p>The Services Delivery Network and NGOs must harness their collective efforts such that Business Development Services focusing on poor community clients are rendered in the most effective and efficient manner.</p>	<p>(Quality Mgt, Trade Information, Export Competency and Trade Finance)</p> <p>What are the implications of a pro-poor export strategy on the operations of trade support institutions that have previously focused on commercial and competitiveness "indicators of success"?</p> <p>Should export support institutions and, in particular, national export promotion agencies, broaden their current focus on export development and adopt new management processes that reflect an export development-poverty reduction orientation? If so, how must management systems be adjusted?</p>	<p>Create Awareness of fair trade practices in both developed and developing countries.</p> <p>In the short term, the direct client strategic consideration is likely to be primarily quality management, with other client considerations such as trade information, export competency and trade finance being dealt with on behalf of the client (i.e. indirectly) by the NGOs and BDS providers until such time as their capabilities and resources increase.</p> <p>Train the business trainers in poverty alleviation dynamics Train development agencies in export fundamentals</p>
Competitiveness	<p style="text-align: center;">Border In Border Border Out</p> <p>All spheres of government to remove constraints that hinder the competitiveness of disadvantaged communities</p> <p>All sectors to incorporate into their sector strategies means to improve the competitiveness of the disadvantaged communities</p>	<p>The nature of poverty is such that whatever it interacts with, it is both the cause and the effect. For example, lack of competitiveness creates poverty and poverty itself affects competitiveness. How does the policy-maker break this reciprocal and perpetuating relationship?</p>	<p>An interventionist approach is required, but where do you start?</p> <p>A combination of top-down and bottom up, based on a prioritised integrated strategy, that allocates resources where needed.</p> <p>Start with the market demand requirements and work backwards along the Value Chain, identifying 'flash points' which impact negatively on marginalised communities</p>
Institutional	<p style="text-align: center;">Strategy Support Network Services Delivery Network</p>	<p>What should the management of a pro-poor national export strategy actually entail? What are the institutional pre-requisites? Allocating resources? Coordinating implementation? Monitoring results? Refining and adjusting the focus? A combination of some or all of the above?</p>	<p>Participatory approach that reflects the views of various stakeholders (government, private sector, NGOs, disadvantaged communities themselves) and adopts a multi-dimensional approach to poverty alleviation through exports.</p>

5.4. A Suggested Framework⁵

Using the ITC’s Strategy Management Framework, the vision, weighting of the perspectives and the supporting objectives, measures, targets and initiatives (OMTIs) for each strategic consideration, will now be identified:

Vision: To create an internationally competitive coffee sector, that maximizes wealth creation opportunities for small-scale coffee producers and ensures maximum spread along key poverty dimensions of income, capability and participation.

Objective	Measure	Target	Initiative
<p><u>Poverty Reduction Perspective</u> Weighting: 20%</p> <p>Maximize the coffee sector’s contribution to poverty reduction by increasing propensity to switch from subsistence to commercial coffee production for exports</p>	<ul style="list-style-type: none"> • Propensity Score Matching Method • Income (e.g. US\$ per day) • Participation (e.g. Voice and representation by gender, age etc) • Capability (e.g. Volume of business transactions) 	<ul style="list-style-type: none"> • Reduce National Poverty Headcount Index by ¼ by Year 5 • Reduce poverty gap by 15% by Year 5 • Increase of employment by 15% by end Year 2 	<ul style="list-style-type: none"> • Identify geographical areas with most potential in short term (‘low hanging’ coffee cherry scenario), medium term prospects (strengthen the bush scenario) and long term (grow the bush scenario) • Middle range approach to impact assessment designed and implemented

⁵ Whilst the authors have based some of the framework on desk research relevant to Rwanda, it must be noted that some of OMTI’s are hypothetical and have been formulated as illustrative points only. No discussion with or verification has been sought from the Rwandan coffee sector.

Objective	Measure	Target	Initiative
<p><u>Competitiveness Perspective</u> Weighting: 35%</p> <p>Border-In Gear: <i>Capacity Development:</i> To increase productivity and profitability of existing crops</p>	<ul style="list-style-type: none"> • Income from production of coffee 	<ul style="list-style-type: none"> • Increase by 25%, in designated areas by Year 2 	<ul style="list-style-type: none"> • Requisite high-quality extension services • Horizontal linkages and co-operatives to be established to address economies of scale • Vertical linkages programme to large enterprises to be established • Revision of land law to increase feasibility of larger land plots
<p><i>Capacity Diversification:</i> To increase productivity and profitability through the promotion of organic coffee production and other products</p> <p>To maximize spillover effect by developing inter-sectoral linkages especially eco-tourism</p>	<ul style="list-style-type: none"> • Income from production of organic coffee and related products • Number of tourists visiting small scale coffee farmers • Arts and crafts purchased in coffee growing areas 	<ul style="list-style-type: none"> • Increase by 25%, in designated areas by Year 4 • Increase by 50% in designated areas by Year 2 	<ul style="list-style-type: none"> • Requisite extension services • Linkage programme to develop organic pesticides (mint and lemon balm), and fertilizer (chicken manure, leftover coffee cherry skins and banana leaves) • Rwandan coffee eco-tourism experience in conjunction with Min of Tourism, Hospitality and Arts and Crafts sector
<p><i>Human Capital Development:</i> To maximize technology adoption along the requisite mix of education, gender and age whilst adhering to fair employment and health and safety standards</p>	<ul style="list-style-type: none"> • Requisite health and safety standards • Fair employment standards • Number of woman and youth on development programmes for coffee sector 	<ul style="list-style-type: none"> • Health and safety standards agreed within Year 1 • 1500 persons by end Year 2 	<ul style="list-style-type: none"> • Develop a learning by doing programme to optimise technology adoption • Maximize learning externalities through International Coffee Organization, NGOs etc • Health and safety standards charter formulated and implemented • Farmer sensitization programme on fair employment practices

Objective	Measure	Target	Initiative
<p><u>Competitiveness Perspective (Cont)</u></p> <p>Border Gear: <i>Infrastructure:</i> To provide necessary rural transport infrastructure, electricity, telecomms and logistics support in designated areas</p>	<ul style="list-style-type: none"> • Transportation costs 	<ul style="list-style-type: none"> • Reduce by 50% within 2 years 	<ul style="list-style-type: none"> • Paved roads to suitable agro-ecological areas
<p><i>Procedures and Documentation:</i> To streamline government procurement procedures to reduce bureaucracy and speed up tendering process in support of project technology acquisition</p>	<ul style="list-style-type: none"> • Time taken 	<ul style="list-style-type: none"> • Improvement of 50% within 6 months 	<ul style="list-style-type: none"> • Sector association to engage key government departments
<p><i>Transaction Support:</i> To develop small scale farmers' understanding of sector marketing transaction fundamentals</p>	<ul style="list-style-type: none"> • Number of farmers trained/counselled/mentored 	<ul style="list-style-type: none"> • 30 trainers trained within 6 months • 1500 farmers by end Year 2 	<ul style="list-style-type: none"> • Sector association to develop a 'how to' manual with supporting training and advisory programmes • Train the trainers programme established
<p>Border-Out Gear: <i>Market Access:</i> To improve access to priority markets for washed coffee</p>	<ul style="list-style-type: none"> • Number of buyers who prescribe to fair trade buying practices who have visited Rwanda 	<ul style="list-style-type: none"> • 100 companies by end Year 1 	<ul style="list-style-type: none"> • Establish external linkages with global buyers in designated markets • Identify fair trade buyers • Ministry of Trade to negotiate best possible access in region
<p><i>In-market Business Support:</i> To provide coffee sector with a full-service advisory and support programme in principal regional and international markets</p>	<ul style="list-style-type: none"> • Number of facilitated trade missions and foreign fairs attended • Number of order enquiries directed from trade representatives abroad 	<ul style="list-style-type: none"> • 5 missions and 5 trade fairs in Year 1 • Increase in order enquiries of 30% 	<ul style="list-style-type: none"> • Train commercial attaches
<p><i>Image and Branding:</i> To create a favourable image and recognized brand for Rwandan coffee</p>	<ul style="list-style-type: none"> • Brand Recognition index 	<ul style="list-style-type: none"> • Improvement of 25% by end Year 2 	<ul style="list-style-type: none"> • Rwandan coffee promotion strategy developed

Objective	Measure	Target	Initiative
<p>Client Perspective: Weighting 25% <i>Competency:</i> To ensure maximum business competency amongst small-scale sector</p>	<ul style="list-style-type: none"> • Number of business programmes established • Number of farmers being trained 	<ul style="list-style-type: none"> • One programme for each SME category (basic, intermediate, advanced) by end Y1 • 500 by end Year 1.5 and 1200 by end Y3 	<ul style="list-style-type: none"> • Undertake a needs assessment of Micro and Small Enterprises and tailor programmes appropriately, e.g. (Starting your business, How to cost and price and your products, prepare a budget, How to export etc) • Train the business trainers in poverty alleviation dynamics • Train development agencies in export fundamentals
<p><i>Information:</i> To provide small scale farmers with relevant trade information affecting the coffee sector</p>	<ul style="list-style-type: none"> • Number of small scale farmers on the ‘formal’ and ‘informal’ communications network 	<ul style="list-style-type: none"> • All farmers in designated area made aware of forum within 6 months • Average 60% attendance at quarterly meetings 	<ul style="list-style-type: none"> • Information sharing and exchange forum established in designated areas for farmers e.g. prices, success stories and failures
<p><i>Financial:</i> To ensure effective provision of credit to small scale farmers at affordable cost</p>	<ul style="list-style-type: none"> • Number of business plans presented • Number of small scale farmers who have negotiated finance facilities • Extent of default 	<ul style="list-style-type: none"> • 30% of small scale farmers in designated areas to have completed business plans by end Y1 • Finance provision scale at 70% of submissions • Default to be managed down to less than 5% 	<ul style="list-style-type: none"> • Matching grant schemes • Large scale enterprises to facilitate quick payments and assist with provision of working capital (e.g. provide inputs) • Banking sector sensitization programme • Women only financing schemes
<p><i>Quality:</i> To ensure necessary quality conformance to achieving washed strategy</p>	<ul style="list-style-type: none"> • Washed cherries reject rate etc 	<ul style="list-style-type: none"> • To meet buyer conformance standards 	<ul style="list-style-type: none"> • Comprehensive value chain assessment

Objective	Measure	Target	Initiative
<p><u>Institutional Perspective:</u> Weighting 20% <i>Strategy Support Network (SSN):</i> To ensure that the country's SSN gives requisite priority to poverty alleviation in its export development efforts.</p>	<ul style="list-style-type: none"> • Number of poverty related issues on the agenda of each National Export Council meeting • Number of working papers and research studies undertaken to analyse effect and reported to National Export Council (NEC) and Sector Association 	<ul style="list-style-type: none"> • Sector strategy to incorporate poverty alleviation strategy and report to NEC on resource requirements within 6 months • Key ministries to have finalised budgets in six months 	<ul style="list-style-type: none"> • National Export Council “Poverty Reduction and Export Development” Task Team established and channels of communication to sectors established • Poverty reduction focus to be mainstreamed into National Export Strategy • Coffee Industry Stakeholder forum established with Voice from Small-Scale Sector, marginalised areas and gender based organizations and represented on Industry Sector Association
<p><i>Services Delivery Network (SDN):</i> To ensure that the SDN has requisite skills to assist in strengthening capacity in small scale and marginalised areas</p>	<ul style="list-style-type: none"> • Number of NGOs who have an interest in facilitating trade for poverty reduction registered with NEC • Number of commercial ventures willing to participate in poverty alleviation and trade assistance programmes 	<ul style="list-style-type: none"> • All identified within 6 months • Two from each of the export cycle chain eg clearing and forwarding 	<ul style="list-style-type: none"> • Collaboration on best practice

6. Conclusion

The above framework has attempted to identify that a comprehensive response is required to managing the linkage. By doing so, the strategy maker can ensure that:

- a. the poverty reduction efforts are properly addressed in the context of the national export strategy
- b. the problems of attribution and aggregation are mitigated to maximize alignment with the objectives of poverty reduction
- c. organizational responsibility can be assigned, the necessary resources allocated and
- d. finally that the impact of the initiatives are properly proved and evaluated thereby leading to improvement

It may sound like a contradiction, but the short message is to keep the strategy framework simple in terms of the Objectives, Measures, Targets and Initiatives being stated. This is particularly important in ensuring 'buy-in' by a diverse grouping of stakeholders, none of whom will be able to achieve the ultimate objective of export development leading to poverty reduction by themselves.

Appendix A Design and Management of National Export Strategy

The Priority Assessment Framework

